

#### **UTAH COUNTIES INDEMNITY POOL BOARD OF TRUSTEES MEETING**

#### Thursday, August 20, 2015, 12:30 p.m.

UAC/UCIP Building, 5397 S Vine, Murray, UT

12:30	Open Meeting, Pledge of Allegiance	Bret Millburn
ITEM	ACTION	
1	Review/Excuse Board Members Absent	Bret Millburn
2	Review/Approve June 5, 2015 Meeting Minutes	Karla Johnson
3	Ratification and Approval of Payments and Credit Card Transactions	Karla Johnson
4	Review/Approve Second Quarter Financial Statements	Sonya White
5	Review/Approve New Member Requests	Mike Wilkins
6	Review/Approve Rate Analysis	Lisa Dennison
7	Review/Approve 2016 Member Contributions	Johnnie Miller
8	Review Bylaws Article 5.2	Johnnie Miller
9	Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual	Bret Millburn
10	Action on Personnel Matters	Brad Dee
11	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	Bret Millburn
12	Action on Litigation Matters	Dale Eyre
	INFORMATION	
13	Monthly Educational Training	Johnnie Miller
14	Chief Executive Officer's Report	Johnnie Miller
15	Other Business	Bret Millburn

Electronic Meeting Notice: 888-447-7153, Participant Passcode: 2261240



## BOARD OF TRUSTEES' MEETING MINUTES

August 20, 2015, 12:30 p.m.

UAC/UCIP Offices 5397 S Vine, Murray, Utah

#### **BOARD MEMBERS PRESENT**

Bret Millburn, Vice President, Davis County Commissioner

Karla Johnson, Secretary/Treasurer, Kane County Clerk/Auditor

Alma Adams, Iron County Commissioner William Cox, Rich County Commissioner

Brad Dee, Weber County Human Resources Director

Dale Eyre, Sevier County Attorney

Kerry Gibson, Weber County Commissioner Victor Iverson, Washington County Commissioner James Kaiserman, Wasatch County Surveyor Mark Whitney, Beaver County Commissioner Mike Wilkins, Uintah County Clerk/Auditor

#### **BOARD MEMBERS ABSENT**

Bruce Adams, President, San Juan County Commissioner

Robert Dekker, Millard County Sheriff

#### OTHERS PRESENT

MacRay Curtis, WSRP Government Services Director Lisa Dennison, BYNAC, President and Consulting Actuary

Johnnie Miller, UCIP Chief Executive Officer Sonya White, UCIP Chief Financial Officer

#### Call to Order

Bret Millburn called this meeting, of the Utah Counties Indemnity Pool's Board of Trustees, to order at 12:30 p.m. on August 20, 2015 and welcomed those in attendance.

#### Review/Excuse Board Members Absent

James Kaiserman made a motion to excuse Bruce Adams, and Robert Dekker from this meeting. William Cox seconded the motion, which passed unanimously.

#### Review/Approve June 5, 2015 Meeting Minutes

The minutes of the Board of Trustees meeting held June 5, 2015, were previously sent to the Board Members for review (see attachment number one). Karla Johnson made a motion to approve the June 5, 2015 Board of Trustees meeting minutes as written. William Cox seconded the motion, which passed unanimously. Note: Do to technical difficulties a recording of this meeting is not available.

#### Ratification and Approval of Payments and Credit Card Transactions

Karla Johnson reported that she has reviewed the payments made, the payments to be made and the credit card transactions of the Pool as of June 6, 2015 through August 20, 2015 (see attachment number two). Alma Adams made a motion to approve the payments made, the payments to be made and the credit card transactions as presented. Kerry Gibson seconded the motion, which passed unanimously.

#### UTAH COUNTIES INDEMNITY POOL

indication has increased 8.6% from the current contribution. The recommended total member contribution to collect is \$5,770,000. Karla Johnson made a motion to approve the Actuarial Rate Study as presented and approve the recommended overall all lines contribution. Mike Wilkins seconded the motion, which passed unanimously.

#### Review/Approve 2016 Member Contributions

Johnnie Miller explained that the updated exposure information has been collected from each member and compiled. After running several scenarios, staff provided the Board with rate indications by line of coverage (see attachment number nine). The difference in contributions was calculated by using the prior year rate, current actuarial rate and the recommended rate by each member's change in exposure. The actuarial rates for property and auto decreased from the prior year and the rate for liability increased. Victor Iverson made a motion to approve the recommended rates as presented. Kerry Gibson seconded the motion, which passed unanimously. Sonya White will email each member their contribution on or before September 1 for budgeting purposes.

#### Review Bylaws Article 5.2

Johnnie Miller requested clarification on Article 5.2 of the Bylaws (see attachment number 10). Brad Dee made a motion to change the following language in Article 5.2: Expenses for spouses who accompany Trustees to UCIP meetings or to approved out-of-state training are the responsibility of the Trustee. UCIP will invoice Trustees for any spouse expensed paid by UCIP. However, there will be no charge for spouses attending for business activities and meals hosted by the Chief Executive Officer. William Cox seconded the motion, which passed unanimously.

#### Set Date and Time for Closed Meeting

Alma Adams made a motion to strike agenda item: Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual. William Cox seconded the motion, which passed unanimously.

#### **Action on Personnel Matters**

Alma Adams made a motion to strike agenda item: *Action on Personnel Matters*. William Cox seconded the motion, which passed unanimously.

#### Set Date and Time for Closed Meeting

Dale Eyre made a motion to strike agenda item: Set Date and Time for a Closed Meeting to Discuss Pending or Reasonably Imminent Litigation. Alma Adams seconded the motion, which passed unanimously.

#### **Action on Litigation Matters**

Pursuant to the June 5, 2015 Board of Trustees meeting, Dale Eyre reported that the Litigation Management Committee conducted a case review in regards to the matter of Dyer v. Withers. The Committee's recommendation to the Board is that UCIP should not provide legal advice to an official who is being sued in their individual capacity. The charges in this matter are for injunctive type relief, which coverage is not provided by UCIP.

Pursuant to the June 5, 2015 Board of Trustees meeting, Dale Eyre reported that the Litigation Management Committee reviewed UCA 52-6 in regards to the BLM v. Lyman matter. Criminal defense is not covered within the standard industry or with a statutorily governed liability pool. The UCIP coverage Addendum excludes claims arising from criminal acts in several areas. Because of this, the Committee recommends supporting staff's denial. If a member party is acquitted from his/her criminal charges the County may be required to reimburse for defense costs. The Committee discussed whether UCIP should provide some type of criminal defense fund but the Committee recommended against UCIP creating a fund at this time. Brad Dee suggested that the Utah Association of Counties (UAC) consider providing sample policies, in this regard, that UCIP can support.

#### Monthly Educational Training

Johnnie Miller provided a synopsis of the training sessions that will be presented at UCIP's annual Risk Management Conference (see attachment number 11).

#### Chief Executive Officer's Report

Johnnie Miller provided the Board with the job announcement for the Assistant to the CFO position as well as a listing of media resources where the announcement will be posted (see attachment number 12).

# Utah Counties Indemnity Pool Payments June 8, 2015 - August 20, 2015

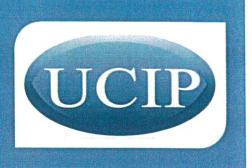
Туре	Date	Num	Name	Memo	Amount
500-000000-100 Check	10100 WFMLE 06/26/2015	VISA	Wells Fargo	Account Number: 4856 2002 0207 3675	-586.55
Total 500-00000	0-10010100 WFMLE				-586.55
500-000000-100 Check	10100 ZionsHRA 06/30/2015			Service Charge	-4.50
Total 500-00000	0-10010100 ZionsHRA				-4.50
	10100 ZionsMLC				
Check Check	06/22/2015		Christensen & Jensen	Service Charge	-10.00
Check	08/19/2015 08/19/2015		Christensen & Jensen	WEB0004312013 Inv 82310 WAS0002302013 Inv 82309	-3,184.71 -20,964.45
Check	08/19/2015		Christensen & Jensen	MOR0000412013 Inv 82308	-5,472.58
Check	08/19/2015		Christensen & Jensen	WAT0000502011 Inv 82307	-6,929.52
Check Check	08/19/2015 08/19/2015		Davis County Dunn & Dunn, P.C.	DAV0000022015 Theft of Pump/Trailer IRO0001522015 Inv 37533	-15,220.00 -19,231.50
Check	08/19/2015		Durham Jones & Pinegar	MOR0000502015 Inv 472561	-2,976.90
Check	08/19/2015		Gregory W Stevens, Atty Turst Acct.	TOO0001882013 McFetridge Settlement	-20,000.00
Check Check	08/19/2015 08/19/2015		Mylar Law, PC Mylar Law, PC	UTA0002642011 Inv 2015 0034 WEB0004262013 Inv 2015 0036	-4,446.39 -6,968.68
Check	08/19/2015		Mylar Law, PC	DAV0003472015 Inv 2015 0037	-5,896.56
Check	08/19/2015		Stirba, P. C.	UTA0002942015 Inv 019 001 001	-2,921.92
Check Check	08/19/2015 08/19/2015		Stirba, P. C. Stirba, P. C.	BOX0001012013 Inv 01 003 023 MOR0000422013 Inv 01 017 009	-6,577.96
Check	08/19/2015		Weber County	WEB0000422015 Truck/Trlr Overturned	-12,740.01 -28,603,18
Check	06/10/2015	ACH	Dunn & Dunn, P.C.	TOO0001882013 Inv 37490	-2,835.30
Check Check	06/10/2015 06/10/2015	ACH ACH	Dunn & Dunn, P.C. Frontier Adjusters, Inc.	WEB0002742009 Inv 37492 WAS000012015 Inv T515299	-24,420.50
Check	06/10/2015	ACH	Hutton Law Associates, P.C.	WEB0002742009 Inv 00124	-161.30 -6,744.50
Check	06/10/2015	ACH	Hutton Law Associates, P.C.	WEB0004182013 Inv 00125	-1,941.80
Check Check	06/10/2015 06/10/2015	ACH ACH	Mylar Law, PC Mylar Law, PC	IRO0000992010 Inv 2015 0009 WAS0002412014 Inv 2015 0010	-14,284.95
Check	06/10/2015	ACH	Mylar Law, PC	WAT0000882015 Inv 2015 0010	-5,861.80 -3,597.50
Check	06/10/2015	ACH	Suitter Axland	UIN0001032010 Inv 1285559	-6,960.32
Check Check	06/10/2015 06/10/2015	ACH ACH	Suitter Axland Suitter Axland	WAS0001562010 Inv 1285495 IRO0001052011 Inv 1285496	-511.02
Check	06/10/2015	ACH	Suitter Axland	BOX000822011 Inv 1285497	-3,536.96 -1,137.11
Check	06/10/2015	ACH	Suitter Axland	SAJ0001002012 Inv 1285498	-7,617.13
Check Check	06/10/2015 06/10/2015	ACH ACH	Suitter Axland Suitter Axland	CAR0000852013 Inv 1285500 DAV0002772012 Inv 1285501	-2,661.62
Check	06/10/2015	ACH	Suitter Axland	WEB0004412013 Inv 1285502	-7,681.15 -7,288.55
Check	06/10/2015	ACH	Suitter Axland	IRO0001452014 Inv 1285503	-249.15
Check Check	06/10/2015 06/10/2015	ACH ACH	Suitter Axland Weber Human Services	WAT0000822014 Inv 1285505 WHS0000012015 Emergency work	-6,612.33
Check	06/15/2015	ACH	Durham Jones & Pinegar	MIL0000972015 Inv 459653	-50,500.00 -2,409.50
Check	06/15/2015	ACH	Durham Jones & Pinegar	MIL0000982015 Inv 459652	-1,132.00
Check Check	06/24/2015 06/24/2015	ACH ACH	Durham Jones & Pinegar Durham Jones & Pinegar	MIL0000972015 Inv 465203 MIL0000982015 Inv 465202	-2,527.32 -4,778.31
Check	06/24/2015	ACH	Stirba, P. C.	BEA000562014 Inv 01 018 005	-3,094.04
Check	06/24/2015	ACH	Stirba, P. C.	UTA0002272010 Inv 01 009 006	-496.20
Check Check	06/24/2015 06/24/2015	ACH ACH	Stirba, P. C. Stirba, P. C.	UTA0002852012 Inv 01 006 013 BOX0001012013 Inv 01 003 022	-20,211.39 -5,423.06
Check	06/24/2015	ACH	Stirba, P. C.	MOR000422013 Inv 01 017 007	-9,937.23
Check	06/30/2015	ACH	Frontier Adjusters, Inc.	WEB0000032015 T521536 Final	-225.00
Check Check	06/30/2015 06/30/2015	ACH ACH	Mylar Law, PC Mylar Law, PC	WEB0003942012 Inv 2015-0014 WEB0004262013 Inv 2015-0013	-4,213.00 -10,455.51
Check	06/30/2015	ACH	Mylar Law, PC	DAV0003472015 Inv 2015-0015	-3,518.00
Check Check	06/30/2015 06/30/2015	ACH ACH	Mylar Law, PC Mylar Law, PC	SAJ0001142013 Inv 2015-0016	-7,696.20
Check	07/10/2015	ACH	Hutton Law Associates, P.C.	WAS0002462014 Inv 2015-0017 WEB0002742009 Inv 00127	-203.00 -8,205.00
Check	07/10/2015	ACH	Hutton Law Associates, P.C.	DAG0000212010 Inv 00128	-2,264.44
Check Check	07/10/2015 07/10/2015	ACH ACH	Hutton Law Associates, P.C.	WEB0004182013 Inv 00129	-4,740.00
Check	07/10/2015	ACH	Hutton Law Associates, P.C. Millard County	WEB0004462013 Inv 00130 MIL0000012015 2015 Chev Truck	-2,630.00 -2,971.68
Check	07/10/2015	ACH	Mylar Law, PĆ	WAT0000482010 Inv 2015-0018	-6,212.50
Check Check	07/10/2015 07/10/2015	ACH ACH	Mylar Law, PC	BOX0001062013 Inv 2015-0019	-2,438.82
Check	07/10/2015	ACH	Mylar Law, PC Suitter Axland	WAT0000882015 Inv 2015-0020 IRO0001052011 Inv 1285624	-4,543.30 -5,355.00
Check	07/10/2015	ACH	Suitter Axland	DAV0002772012 Inv 1285628	-11,901.36
Check Check	07/10/2015 07/10/2015	ACH ACH	Suitter Axland	WEB0004412013 Inv 1285629	-2,247.33
Check	07/10/2015	ACH	Suitter Axland Suitter Axland	IRO0001412014 Inv 1285630 IRO0001482014 Inv 1285632	-5,479.46 -293.05
Check	07/10/2015	ACH	Suitter Axland	UIN0001032010 Inv 1285633	-8,975.02
Check Check	07/10/2015 07/10/2015	ACH ACH	Wasatch County	WAT0000022015 Refuse Trailer	-8,205.34
Check	07/10/2015	ACH	Wasatch County Wasatch County	WAT0000042015 2015 Dodge Ram WAT0000032015 2015 Ram 1500	-605.75 -887.00
Check	07/20/2015	ACH	Durham Jones & Pinegar	Invoice: 469141	-2,796.94
Check Check	07/20/2015 07/20/2015	ACH ACH	Durham Jones & Pinegar Stirba, P. C.	Invoice: 469140	-3,204.83
Check	07/20/2015	ACH	Stirba, P. C. Stirba, P. C.	Invoice: 01006014 Invoice: 01017008	-10,488.78 -7,131.35
Check	07/29/2015	ACH	Dunn & Dunn, P.C.	Invoice: 37515	-10,174.50
Check	07/29/2015	ACH	Dunn & Dunn, P.C.	Invoice: 37518	-21,576.65

#### Utah Counties Indemnity Pool Payments

June 8, 2015 - August 20, 2015

Type	Date	Num	Name	Memo	Amount
Bill Pmt -Check	06/24/2015	ACH	Wire Canyon Software LLC	Invoice Number: 1157	-2,160,00
Check	06/30/2015	ACH	Kerry Gibson	Mileage Reimbursement	-119.60
Check	07/02/2015	ACH	Johnnie Miller	HRA Reimbursement	-1,200.00
Bill Pmt -Check	07/10/2015	ACH	Arthur J. Gallagher & Co.	Invoice Number: 1392187	-3.475.23
Bill Pmt -Check	07/10/2015	ACH	Nielsen & Senior	Invoice Number: 23803	-3,475.23
Bill Pmt -Check	07/10/2015	ACH	Utah Association of Counties	NACo Campaign (Bill Cox)	-500.00
Bill Pmt -Check	07/10/2015	ACH	Western AgCredit	Invoice Number: 7-2015	
Liability Check	07/20/2015	ACH	Opticare of Utah	Invoice: 68865	-10,483.40
Bill Pmt -Check	07/20/2015	ACH	Les Olson Company	Invoice: 68865 Invoice: EA598103	-52.28
Bill Pmt -Check	07/20/2015	ACH			-22.24
Bill Pmt -Check	07/20/2015	ACH	Revco Leasing Company, LLC AGRIP	Invoice: 397186	-435.91
Bill Pmt -Check		ACH		Invoice: 1711	-1,387.94
Check	07/20/2015	ACH	Gallagher Bassett Services, Inc. PEHP-LTD	Invoice: 14949	-120.00
	07/29/2015			Coverage Period: JUL2015	-188.43
_iability Check	07/29/2015	ACH	Public Employees Health Program	Invoice Number: 0121556390	-4,840.69
Check	07/29/2015	ACH	Johnnie Miller	Expense Reimbursement	-159.85
Bill Pmt -Check	07/29/2015	ACH	Whitney Advertising & Design, Inc.	Invoice Number: 21669	-480.50
Bill Pmt -Check	07/29/2015	ACH	WSRP, LLC	Invoice Number: 210690	-2,000.00
Bill Pmt -Check	08/03/2015	ACH	Western AgCredit	Invoice Number: 8-2015	-10,483.40
Bill Pmt -Check	08/12/2015	ACH	Davis County C&E Development	VOID: Invoice: 08032015	0.00
Bill Pmt -Check	08/12/2015	ACH	Gallagher Bassett Services, Inc.	Invoice: 14964	-156.00
Bill Pmt -Check	08/12/2015	ACH	Revco Leasing Company, LLC	Invoice: 399874	-435.91
Bill Pmt -Check	06/11/2015	BILLPAY	JCL Paint & Design LLC	Invoice Number: 538030	-350.00
Bill Pmt -Check	06/11/2015	BILLPAY	Tri-Tel Networks	UACIM	-175.00
Bill Pmt -Check	06/11/2015	BILLPAY	WSRP, LLC	Invoice Number: 209674	-15,000.00
Bill Pmt -Check	06/11/2015	BILLPAY	HCA Asset Management, LLC	Invoice Number: 15-0337	-15,100.00
Bill Pmt -Check	06/11/2015	BILLPAY	Office Depot	35538769	-169.52
Bill Pmt -Check	06/12/2015	BILLPAY	Premiere Global Services	Invoice Number: 18444074	-86.24
Check	06/16/2015	BILLPAY	Brad Dee	Mileage Reimbursement	-115.00
Check	06/16/2015	BILLPAY	Bret Millburn	Mileage Reimbursement	-85.10
Check	06/16/2015	BILLPAY	Sonya White	Expense Reimbursement	-667.14
Bill Pmt -Check	06/22/2015	BILLPAY	Clerk/Auditors Summer Conference	JC607-DVL61	-300.00
Bill Pmt -Check	06/22/2015	BILLPAY	Office Depot	JC60F-BL188	-135.80
Check	06/26/2015	BILLPAY	Johnnie Miller	Expense Reimbursement	-275.43
Bill Pmt -Check	07/14/2015	BILLPAY	Professional Yard Services	Invoice Number: 73960	-375.00
Bill Pmt -Check	07/14/2015	BILLPAY	Office Depot	Invoice Number: 777518942001	-33.98
Check	07/22/2015	BILLPAY	Johnnie Miller	Expense Reimbursement	-391.58
Bill Pmt -Check	07/22/2015	BILLPAY	Microworks	Invoice: 49132	-360.00
Check	07/22/2015	BILLPAY	Karen Abbott	Overpayment TULIP	-0.75
Bill Pmt -Check	08/14/2015	BILLPAY	Microworks	Invoice: 49260	-270.00
Check	06/11/2015	ONLINE	State of UT Dept of Workforce Servic	Account No: R 2-423713-0	-437.16
_iability Check	06/12/2015	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270556394363242	-4,172.64
Bill Pmt -Check	06/24/2015	ONLINE	Bankcard Center	Confirmation Number: 15061077081556	-3,780.04
Bill Pmt -Check	06/24/2015	ONLINE	Bankcard Center	Confirmation Number: 15061077083834	-5,499.63
Liability Check	06/29/2015	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 270558041220070	-4,172.68
Liability Check	06/29/2015	ONLINE	Utah State Tax Commission	Confirmation Number: 0-914-739-456	
Liability Check	06/30/2015	ONLINE	Utah Retirement Systems	Confirmation Number: 062912592004	-1,374.10
Liability Check	06/30/2015	ONLINE	Nationwide Retirement Solutions	Entity: 0036786001	-7,196.10
Liability Check	07/13/2015	ONLINE			-2,245.61
Bill Pmt -Check	07/09/2015	ONLINE	United States Treasury State of UT Dept of Workforce Servic	EFT ACKNOWLEDGEMENT NUMBER: 2705594605696	-4,376.26
Bill Pmt -Check		ONLINE	Bankcard Center	Account No: R 2-423713-0	-371.56
	07/26/2015			Confirmation: 15071782798388	-2,604.02
Bill Pmt -Check	07/26/2015	ONLINE	Bankcard Center	Confirmation: 15061077081556	-246.07
Liability Check	07/31/2015	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 2705612049498	-4,225.78
Liability Check	07/31/2015	ONLINE	Utah State Tax Commission	Confirmation Number: 1-282-656-512	-1,416.27
Liability Check	07/31/2015	ONLINE	Nationwide Retirement Solutions	Entity: 0036786001	-2,245.61
Liability Check	07/31/2015	ONLINE	Utah Retirement Systems	Confirmation Number: 073035488565	-7,445.66
Liability Check	08/13/2015	ONLINE	United States Treasury	EFT ACKNOWLEDGEMENT NUMBER: 2705625603207	-4,118.54
tal 500-000000-1001	10100 ZionsMLE				-195,138.47
Ľ					-1,006,299.07

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# Utah Counties Indemnity Pool

FINANCIAL STATEMENTS

Quarter Ending June 30, 2015

# UTAH COUNTIES INDEMNITY POOL STATEMENT of NET POSITION

As of June 30, 2015

	_Ju	n 30, 2015	De	ec 31, 2014	Ju	n 30, 2014
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$	8,715,471	\$	6,636,905	\$	9,858,528
Short-term investments		150,332		101,376		_
Accounts receivable		60,187		3,190		27,272
Reinsurance recoverable				-		-
Members receivable		-		1,649,895		-
Prepaid expenses		936,174		223,412		634,613
TOTAL CURRENT ASSETS		9,862,164		8,513,402		10,520,413
INVESTMENTS		3,588,646		3,589,808		3,217,174
PROPERTY AND EQUIPMENT		9,250		16,080		20,222
OTHER ASSETS						
Land held for investment		526,778		526,778		526,778
Security deposits		11,336		11,336		11,336
TOTAL ASSETS	\$	13,998,174	\$	12,758,780	\$	14,295,922
LIABILITIES AND NET POSITION			2000			
CURRENT LIABILITIES						
Reserves for losses and loss adjustment expenses	\$	8,771,838	\$	8,771,838	\$	9,103,341
Accounts payable	Ψ	0,771,030	φ	2,482	Ф	9,103,341
Accrued expenses		72,288		78,283		65,922
Contributions paid in advance		2,602,448		1,404,009		2,295,465
TOTAL CURRENT LIABILITIES		11,446,573		10,256,612	-	11,464,728
TOTAL LIABILITIES		11,446,573		10,256,612	-	11,464,728
		11,110,373		10,230,012		11,404,720
NET POSITION						
Net investment in capital assets		9,251		16,080		38,582
Unrestricted		2,542,350	11	2,486,088	525	2,792,613
TOTAL NET POSITION		2,551,601		2,502,168	10-10-10-10-10-10-10-10-10-10-10-10-10-1	2,831,194
TOTAL LIABILITIES AND NET POSITION	\$	13,998,174	\$	12,758,780	\$	14,295,922

# UTAH COUNTIES INDEMNITY POOL STATEMENTS of REVENUES, EXPENSES, and CHANGES in NET POSITION

As of June 30, 2015

	Jı	ın 30, 2015	Budget	Over Budget	% of Budget
OPERATING INCOME	War-10-10-10-10-10-10-10-10-10-10-10-10-10-				
Contributions	\$	2,547,937	5,095,873	5,095,873	50%
Investment income		35,811	50,000	50,000	72%
Other income	8	(9,660)	17,000	17,000	-57%
TOTAL OPERATING INCOME		2,574,087	5,162,873	5,162,873	50%
UNDERWRITING EXPENSES					
Losses and loss adjustment expenses		1,210,381	3,335,158	(2,124,777)	36%
Reinsurance coverage		794,292	1,580,000	(785,708)	50%
TOTAL UNDERWRITING EXPENSES	÷	2,004,674	4,915,158	(2,910,484)	41%
ADMINISTRATION EXPENSES					
Trustees		23,095	40,000	(16,905)	58%
Depreciation		6,402	15,000	(8,598)	43%
Risk Management		28,353	45,000	(16,647)	63%
Public relations		2,317	14,000	(11,683)	17%
Office		102,230	200,000	(97,770)	51%
Financial		61,263	150,000	(88,737)	41%
Personnel		298,539	600,000	(301,461)	50%
TOTAL ADMINISTRATION EXPENSES		522,199	1,064,000	(541,801)	49%
TOTAL OPERATING EXPENSES		2,526,873			
NET OPERATING INCOME		47,214			
OTHER INCOME (EXPENSES)					
Unrealized gain on marketable securities		2,219			
TOTAL OTHER INCOME		2,219			
CHANGE IN NET POSITION		49,433			
NET POSITION AT BEGINNING OF YEAR		2,502,168			
NET POSITION AT END OF QUARTER	\$	2,551,601			

# UTAH COUNTIES INDEMNITY POOL STATEMENTS of CASH FLOWS

As of June 30, 2015

As of June 30, 2015				- 0.4
CASH FLOWS FROM OPERATING ACTIVITIES		2015		2014
Contributions collected	\$	2 690 279	æ	5.066.025
Other fees collected	Ф	3,689,378 (9,660)	\$	5,066,925
Reinsurance paid		142,841		14,133 (3,038,911)
Losses and loss expenses paid		(1,210,381)		(4,011,501)
Cash paid to employees		(304,534)		(572,645)
Other administrative expenses paid		(219,741)		(363,547)
NET CASH FLOWS FROM USED BY OPERATING ACTIVITIES		2,087,902		(2,905,546)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase (sale) of capital assets		7,331		(2,574)
Cash from sale of capital assets		7,760		-
NET CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES		15,091		(2,574)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments		(47,794)		(50,784)
Investment income		38,030		67,509
NET CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES	,	(9,764)		16,725
NET INCREASE (DECREASE) IN CASH				
AND CASH EQUIVALENTS		2,093,229		(2,891,395)
CASH AND CASH EQUIVALENTS				
AT BEGINNING OF YEAR		6,636,905	10 <del>1</del>	9,528,300
CASH AND CASH EQUIVALENTS				
AT END OF QUARTER	\$	8,730,134	\$	6,636,905
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH				
Change in net position	\$	49,433	\$	(1,302,335)
		,	530452	( ) , , , , , , , ,
Adjustments to reconcile change in net position to				
Depreciation		6,402		13,477
Interest on investments		(35,811)		(67,578)
(Increase) decrease in equity in CRL		-		(479,332)
Unrealized loss on investments		(2,219)		69
Accounts receivable		(56,997)		3,606
Member receivable		1,649,895		(1,649,895)
Prepaid expenses		(712,763)		45,772
Reinsurance recoverable				373,248
Reserves for loss and loss adjustment expenses		_		(331,503)
Accounts payable		(2,482)		(4,887)
Accrued expenses		(5,995)		21,423
Contributions paid in advance		1,198,439		472,389
Total adjustments		2,038,469	_	(1,603,211)
	\$	2,087,902	_\$	(2,905,546)
NET CASH FLOWS USED BY OPERATING ACTIVITIES				

NET CASH FLOWS USED BY OPERATING ACTIVITIES

The accompanying notes are an integral part of the financial statements.

#### Utah Retirement Systems Utah Counties Insurance Pool Pension Entries for Net Pension Liability 31-Dec-15

	n .	
Net	Pension	Liability
1466		LIGOTILLA

To record beginning net pension liability (PY restatement)	Debit	Credit
Net Pension Asset	-	
Net Pension Liability	-	222,793
Deferred outflows of resources relating to pensions	66,494	_
Net position unrestricted	156,299	-

#### 2 To record deferred inflows/outflows of resources

Deferred outflows of relating to pension

Net Pension Liability		4,019
Differences between expected & actual experience	-	( <del>=</del> )
Changes in assumptions		(2)
Net difference between projected and actual earnings on		
pension plan investments	4,019	<u>~</u>
Changes in proportion and differences between		
contributions and proportionate share of contributions	-	-

Deferred inflows of relating to pension

Net Pension Liability	22,740	(=)
Differences between expected & actual experience	•	5,309
Changes in assumptions	82	17,431
Net difference between projected and actual earnings on		
pension plan investments	(2)	(2)
Changes in proportion and differences between		
contributions and proportionate share of contributions	12	720

3 To record actuarial pension expense at measurement date. Contributions in current year recognized in NPL

Actuarial calculated pension expense	40,394	
Net Pension Liability	24,824	-
Benefit Expense (Change in NPL recognized in current period)	-	65,218

(note this entry is a non budget adjustment)

#### 4 To reverse PY deferred outflow for contributions from FY end to PY Net Pension Liability

Deferred outflows of resources relating to pensions	-	66,494
Benefit Expense	66,494	NF)

(note this entry is a non budget adjustment)

#### 5 To record contributions subsequent to the measurement date

Deferred outflows of resources relating to pensions	42,236	25
Benefit Expense	(4)	42,236

#### (note this entry is a non budget adjustment)

	Pension liability
Net Pension (asset) / liability beginning of year	222,793
Deferred outflows of resources	4,019
Deferred inflows of resources	(22,740)
Adustment for (reduction) / increase in net pension liability	(24,824)
Net Pension (asset) / liability end of year	179,248
NPL per GASB 68 audited schedule	179,248
Difference	4

#### $\underline{\textit{Actuarial Calculated Net Pension expense per GASB 68 schedule for net pension liability}}$

Noncontributory	40,394
Contributory	=
Public Safety	≒
Firefighters	=
Judges	=
Governors & Legislators	¥
Tier 2 public employees	*
Tier 2 public safety & firefighters	8
Total pension expense	40,394

#### **UCIP Membership Application Summary**

Name of Entity: Sanpete County Fire Special Service District

Sponsoring County: Sanpete County

Type of Membership Applied for: Non-Voting/Non-Equity

Enabling Statutes and Services Provided: This entity is made up of every city in the county that has a fire department, and the board consists of 12 city fire chiefs and one county commissioner. The board meets to plan training and authorize the expenditure of funds to buy equipment for each city department. Revenue comes from a \$3.00 fire fee collected by the cities, of which \$2.75 goes to the SSD. The equipment becomes the property of the city and they insure it. The county auditor provides bookkeeping duties for the district.

#### Risk Factors:

Property; All property and equipment is owned and insured by cities

Auto; All vehicles owned and insured by cities

Employees; None

Liability; Annual expenditures are high, but does not reflect actual exposure

Loss History: Reports no known losses in past 5 years

Additional Notes: Coverage with the Trust renewed in July. Auditor asked about a quote from UCIP just before this renewal, which did not provide time to provide a quote prior to renewal. Rating will be difficult as rating on expenditures generates much more contribution than they currently pay.

Proposed Liability Limits: \$3mm Current Liability Limits: \$2mm

UCIP Annual Contribution: \$ Current Insurance Premium: \$1,982

Staff Recommendation: This does not appear to be a county based SSD, as the county has very little involvement other than providing administrative services. Because all property, equipment and vehicles are owned and insured by the cities, UCIP will not collect much in contribution. Staff recommends holding off on approval until we can determine how to rate this entity to collect an adequate amount of contribution and still be competitive. Staff also plans to discuss with the county that this entity that was created as a district to collect state grants that they no longer collect, is probably best to reorganize as an interlocal agency of the cities.

#### **UCIP Membership Application Summary**

Name of Entity: Piute County Special Service District 1

Sponsoring County: Piute County

Type of Membership Applied for: Non-Voting/Non-Equity

Enabling Statutes and Services Provided: Enabling statutes no longer valid, district has not reorganized under current statute. Revenue is the county's mineral lease payments. Provides a variety of services including operation of the two landfills, public health, mosquito control, educational scholarship programs, water projects, operation of the library & bookmobile, oversight of communications (TV towers) and going forward, road projects.

#### Risk Factors:

Property; District owns a bulldozer used at the landfill

Auto; None

Employees; District pays county to use county employees part time Liability; District revenue is between \$200,000 and \$400,000 per year

Loss History: Reports no known losses in past 5 years.

Additional Notes: Some of the expenditures of this district have been questioned by the county commission, and their independent auditors had items this year that they recommend be corrected. The county commission recently appointed all new board members to the district and plans to review the district's charter to update and determine if the district needs to be split into multiple districts to comply with current statutes.

Proposed Liability Limits: \$3mm Current Liability Limits: \$

UCIP Annual Contribution: \$ Current Insurance Premium: \$Unknown

Staff Recommendation: Concern with this district is the same as with many districts currently, they are not operating under current statutes, but rely on the statutes in place at the time of their creation. The county commission and new district board are working to assure the district is operating in full compliance with all statutes, rules and audit recommendations. Staff recommends approval of membership of this district, but will monitor the district's efforts in reorganization.

#### **UCIP Membership Application Summary**

Name of Entity: Washington County Flood Control Authority

Sponsoring County: Washington County

Type of Membership Applied for: Non-Voting/Non-Equity

Enabling Statutes and Services Provided: Entity created in 2012 as an interlocal entity. Entity includes the county and the cities of St. George, Washington City, Santa Clara, Ivins and Hurricane. Entity created to "share the costs for construction, operation, inspection, repair, maintenance, land, and all other related activities necessary for flood control and administration of these activities.

#### Risk Factors:

Property; Unknown Auto; Unknown Employees; Unknown Liability; Significant

Loss History: Reports no known losses in last 5 years

Additional Notes: While this entity reports no known losses, the cities involved in this new interlocal have had significant lawsuits filed against them in the past for failure of flood control systems (dams in particular).

Proposed Liability Limits: \$3mm Current Liability Limits: \$Unknown

UCIP Annual Contribution: \$ Current Insurance Premium: \$Unknown

Staff Recommendation: While statute provides immunity for planning and managing flood waters, a very recent court case has all but done away with that immunity. Given the number of known flood related lawsuits in Washington County and the fact that this district likely no longer has immunity from those lawsuits, staff does not see how we could collect enough in contribution to fund the costs of defending this district, and therefore recommends not accepting this application.

Mary Jean King, FCAS, CERA, MAAA SVP & Consulting Actuary 118 Warfield Road Cherry Hill, NJ 08034 P:856.428.5961 mking@bynac.com



# **UTAH COUNTIES** INDEMNITY POOL

**ACTUARIAL REPORT** Premium Indication 1/1-12/31/16

8/10/15

UCIP needs to collect from its members to cover expected losses and expenses. The estimated premium is based on the premium UCIP expects to collect for 1/1-12/31/16.

#### COMPARISON TO PRIOR REPORT

The loss projections in this report are compared to the 10/2/14 actuarial report in the following table.

#### COMPARISON OF LOSS PROJECTIONS TO PRIOR REPORT

Coverage	Report	Pure Loss Rate	Exposure	Projected Losses
General Liability	Current Prior Change	\$4.20 3.90 + 7.7%	\$ 494,168 ^ 459,300 + 7.6%	\$ 2,080,000 1,790,000 +16.2%
Auto Liability	Current Prior Change	\$ 75 85 -11.8%	3,136 * 3,079 + 1.9%	\$ 240,000 260,000 - 7.7%
Property	Current Prior Change	\$0.0450 0.0380 +18.4%	\$16,241,062 ~ 15,498,580 + 4.8%	\$ 730,000 590,000 +23.7%
Total	Current Prior Change	 + 8.2%	 + 6.8%	\$ 3,050,000 2,640,000 +15.5%

<sup>^</sup> Expenditures (1,000).

General liability (GL) loss rates continue to rise leading to an increase in the projected loss rate for 1/1-12/31/16. The projected loss rate for auto liability (AL) decreased again due to favorable experience in the 1/1-12/31/14 period. The projected property (PR) loss rate has increased after several years of decreases due to experience in 1/1-12/31/14. Overall, the total loss projection is a 15.5% increase compared to last year due to an 8.2% increase in experience and a 6.8% increase in exposure.



<sup>\*</sup> Vehicles.

Insured value (100).

#### Table 5

#### UTAH COUNTIES INDEMNITY POOL

#### GENERAL LIABILITY EXCLUDING EO AND LE

#### SELECTED ESTIMATED ULTIMATE INCURRED LOSSES

(Limited to \$250,000)

Policy Period	Incurred Loss Development Method	Paid Loss Development Method	Incurred Bornhuettter- Ferguson Method	Paid Bornhuettter- Ferguson Method	Selected Estimated Ultimate Incurred Losses
1/1-12/31/10	\$1,263,215	\$1,320,059	\$1,298,129	\$1,313,535	\$1,280,672 ~
1/1-12/31/11	427,677	463,619	433,702	461,444	430,690 ~
1/1-12/31/12	825,223	885,205	963,530	1,064,949	894,377 ~
1/1-12/31/13	767,969	814,820	811,845	843,388	789,907 ~
1/1-12/31/14	586,963	672,404	469,627	438,783	454,205 &
Total	\$3,871,047	\$4,156,107	\$3,976,833	\$4,122,099	\$3,849,851

<sup>~</sup> Selected the average of the incurred methods.



<sup>&</sup>amp; Selected an average of the Bornhuetter-Ferguson methods.

#### Table 16

#### UTAH COUNTIES INDEMNITY POOL

#### GENERAL LIABILITY INCLUDING EO AND LE

#### COST LEVEL ADJUSTMENT

(Limited to \$250,000)

#### A. LOSSES ADJUSTED TO 1/1-12/31/16

Policy Period	Estimated Ultimate Incurred Losses~	Loss Trend Factor*	Adjusted Losses#
		to expenses	
1/1-12/31/10	\$ 2,967,956	1.181	\$ 3,358,796
1/1-12/31/11	1.958,333	1.144	2,168,333
	2,688,665	1.105	2,918,475
1/1-12/31/12	2,733,629	1.073	2,933,184
1/1-12/31/13	POS. 2000000 • 400000000	1.052	2,193,790
1/1-12/31/14	2,085,352	1.032	
Total	\$12,433,935		\$13,572,578

#### B. EXPOSURE ADJUSTED TO 1/1-12/31/16

Policy Period	Expenditures (\$1,000s)	Exposure Trend Factor^	Adjusted Expenditures (\$1,000s)
1/1-12/31/10	\$ 677,708	1.195	\$ 809,861
1/1-12/31/10	669,118	1.160	776,177
1/1-12/31/12	737,032	1.126	829,898
1/1-12/31/12	573,138	1.093	626,440
1/1-12/31/14	469,146	1.061	497,764
Total	\$3,126,142		\$3,540,140

- From Tables 5, 10, and 15.
- \* See Section A of Appendix B, Exhibit I.
- # Losses have not been adjusted above the retention.
- ^ See Section A of Appendix B, Exhibit II.



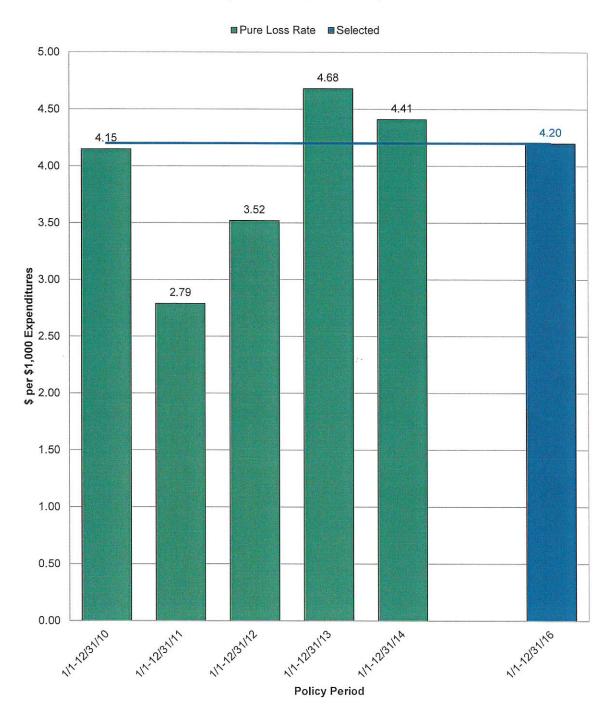
Figure 4

UTAH COUNTIES INDEMNITY POOL

#### GENERAL LIABILITY INCLUDING EO AND LE

#### PURE LOSS RATES ADJUSTED TO A 1/1-12/31/16 LEVEL

(Limited to \$250,000 Retention)





#### Figure 6

#### UTAH COUNTIES INDEMNITY POOL

#### **AUTO LIABILITY**

### PURE LOSS RATES ADJUSTED TO A 1/1-12/31/16 LEVEL

(Limited to \$250,000 Retention)

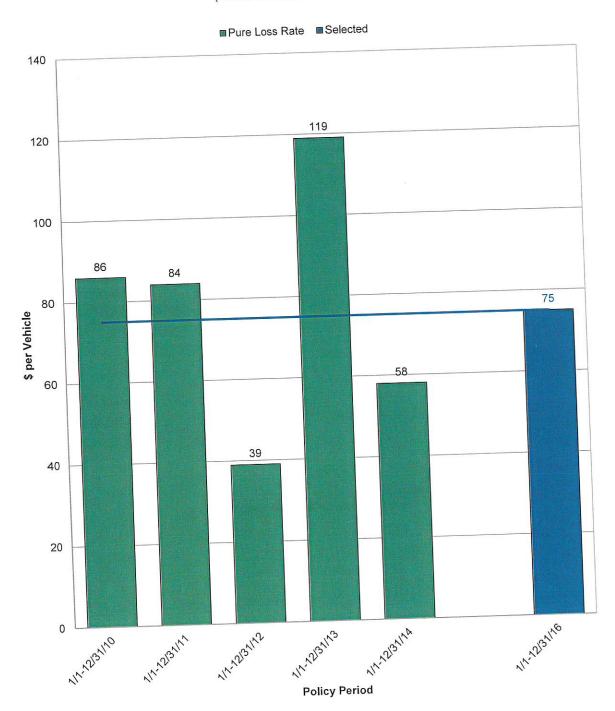




Figure 8

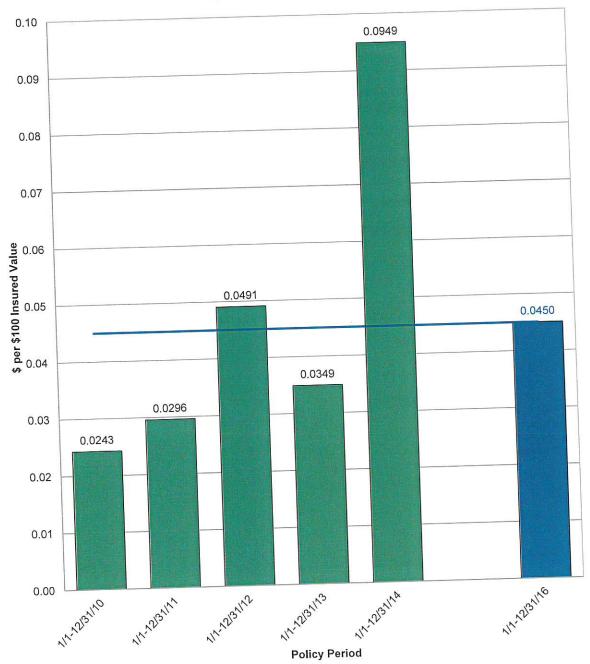
#### UTAH COUNTIES INDEMNITY POOL

#### **PROPERTY**

### PURE LOSS RATES ADJUSTED TO A 1/1-12/31/16 LEVEL

(Limited to \$250,000 Excluding Davis County Building and Contents)







#### Table 31

#### UTAH COUNTIES INDEMNITY POOL

#### ALL COVERAGES

#### PREMIUM INDICATION FOR 1/1-12/31/16 BY CONFIDENCE LEVEL

(Gross of Deductible)

			Confidence Level					
		3	30%	Expected	70%	80%	90%	95%
A.	LOSS PROJECTION*		\$2,750,000	\$3,050,000	\$3,290,000	\$3,470,000	\$3,740,000	\$3,980,000
В.	FIXED EXPENSES**	\$2,720,000						
C.	INDICATED UNDISCOUNTED PREMIUM A + B		\$5,470,000	\$5,770,000	\$6,010,000	\$6,190,000	\$6,460,000	\$6,700,000
D.	CURRENT PREMIUM#	\$5,313,297						
E.	UNDISCOUNTED PREMIUM INDICATION C/D - 1		+ 2.9%	+ 8.6%	+13.1%	+16.5%	+21.6%	+26.1%
F.	LOSS PRESENT VALUE FACTOR	0.970						
G.	PREMIUM PRESENT VALUE FACTOR	1.000						
H.	INDICATED PREMIUM DISC. AT 1.0% PER ANNUM [A x F + B]/G		\$5,390,000	\$5,680,000	\$5,910,000	\$6,090,000	\$6,350,000	\$6,580,000
1.	DISC. PREMIUM INDICATION AT 1.0% PER ANNUM H/D - 1		+ 1.4%	+ 6.9%	+11.2%	+14.6%	+19.5%	+23.8%

<sup>\*</sup> See Appendix B, Exhibit VI.



<sup>\*\*</sup> See Appendix B, Exhibit III.

<sup>#</sup> Provided by UCIP.

#### Table 20

#### UTAH COUNTIES INDEMNITY POOL

#### ALL COVERAGES

### PREMIUM INDICATION FOR 1/1-12/31/16 BY COVERAGE (Gross of Deductible)

			General Liability	Automobile Liability	Property	Total
A.	LOSS PROJECTION*		\$2,080,000	\$ 240,000	\$ 730,000	\$3,050,000
В.	FIXED EXPENSES**		\$1,730,000	\$ 220,000	\$ 770,000	\$2,720,000
C.	INDICATED PREMIUM UNDISCOUNTED A + B		\$3,810,000	\$ 460,000	\$1,500,000	\$5,770,000
	INDICATED PREMIUM RATE BASE		\$7.71 Expenditures (\$1,000s)	\$146.68 Vehicles	\$0.0924 Ins. Value (\$100s)	
D.	CURRENT PREMIUM#		\$2,687,540	\$ 893,760	\$1,731,997	\$5,313,297
E.	UNDISCOUNTED PREMIUM INDICATION C/D - 1		+41.8%	-48.5%	-13.4%	+ 8.6%
F.	LOSS PRESENT VALUE FACTOR##		0.960	0.987	0.993	0.970
G.	PREMIUM PRESENT VALUE FACTOR <sup>4</sup>	1.000				
H.	INDICATED PREMIUM DISC. AT 1.0% PER ANNUM [A x F + B]/G		\$3,730,000	\$ 460,000	\$1,490,000	\$5,680,000
	INDICATED PREMIUM RATE BASE		\$7.55 Expenditures (\$1,000s)	\$146.68 Vehicles	\$0.0917 Ins. Value (\$100s)	
1.	DISC. PREMIUM INDICATION AT 1.0% PER ANNUM H/D - 1		+38.8%	-48.5%	-14.0%	+ 6.9%

<sup>\*</sup> See Section B of Tables 17, 24, and 29.



<sup>\*\*</sup> See Appendix B, Exhibit III.

<sup>#</sup> Provided by UCIP.

<sup>##</sup> See Appendix B, Exhibit IV.

<sup>^</sup> See Appendix B, Exhibit V.

### 2016 PROPERTY CONTRIBUTION

	Change in Exposure	2015 Rates	2016 Actuarial Rates	2016 Recommended
	Exposure	0.105	0.092	0.100
BEAVER	6%	47,103	41,451	44,860
BOX ELDER	2%	65,169	57,349	62,066
DAGGETT	2%	18,673	16,432	17,783
DAGGETT	2%	248,279	218,485	236,456
DUCHESNE	2%	54,201	47,697	51,620
EMERY	14%	66,120	58,186	62,972
GARFIELD	1%	34,217	30,111	32,587
	-1%	71,547	62,962	68,140
IRON	2%	49,739	43,771	47,371
JUAB	1%	36,146	31,808	34,424
KANE	3%	56,272	49,520	53,593
MILLARD	7%	20,444	17,990	19,470
MORGAN	8%	8,273	7,280	7,879
PIUTE	4%	8,395	7,388	7,995
RICH	2%	53,148	46,770	
SAN JUAN	15%	34,577	30,428	32,931
SANPETE	4%	49,059	43,172	46,723
SEVIER	4%	125,826		
UINTAH	6%	95,099		90,570
WASATCH	1%	112,613		
WASHINGTON	4%	13,501	THE RESERVE TO SERVE A VALUE OF THE PARTY OF	
WAYNE	3%	338,818	Service of the servic	
WEBER	-23%	179		
UCIP	-1%	3,808		1 3,626
CENTRAL	2%	3,754		
SOUTHEASTERN	2%	10,970		
SOUTHWEST	-8%	4,375		
TRICOUNTY	0%	692	Control of the second	
WASATCH	7%	5,712		5,440
WEBER-MORGAN	4%	50,688		
WASHINGTON IA	0%	1.57		
SAJT	21%	29,00	Maria Relation And Landson	
WHS	0%		0	0
SCIC	0%		0	0
CID	0%		0	0
KRT	U%			
TOTAL:		1,716,39		
EXPECTED:		1,500,00		
LOSS/GAIN:		216,39	7 10,4	30 134,66

#### **2016 AUTOMOBILE CONTRIBUTIONS**

	Change in Exposure	<b>2015</b> Rates \$285.00	2016 Actuarial Rates \$146.68	2016 Recommended \$250.00
BEAVER	0%	18,525	9,534	16,250
BOX ELDER	-2%	65,265	33,590	57,250
DAGGETT	9%	14,250	7,334	12,500
DAVIS	-14%	58,425	30,069	51,250
DUCHESNE	-4%	38,760	19,948	34,000
EMERY	1%	40,755	20,975	35,750
GARFIELD	2%	30,495	15,695	26,750
IRON	-8%	57,855	29,776	50,750
JUAB	4%	41,610	21,415	36,500
KANE	-6%	23,940	12,321	21,000
MILLARD	-5%	44,745	23,029	39,250
MORGAN	11%	14,250	7,334	12,500
PIUTE	12%	7,980	4,107	7,000
RICH	7%	12,825	6,601	11,250
SAN JUAN	3%	66,690	34,323	58,500
SANPETE	6%	25,650	13,201	22,500
SEVIER	1%	41,040	21,122	36,000
UINTAH	-5%	39,045	20,095	34,250
WASATCH	-1%	48,735	25,082	42,750
WASHINGTON	-3%	57,855	29,776	50,750
WAYNE	1%	20,805	10,708	18,250
WEBER	10%	82,080	42,244	72,000
UCIP	0%	0	0	0
CENTRAL	-18%	3,990	2,054	3,500
SOUTHEASTERN	0%	3,705	1,907	3,250
SOUTHWEST	12%	5,415	2,787	4,750
TRICOUNTY	-23%	2,850	1,467	2,500
WASATCH	0%	1,710	880	1,500
WEBER-MORGAN	0%	7,125	3,667	6,250
WASHINGTON IA	0%	570	293	500
WCIA	0%	0	0	0
SAJT	16%	16,815	8,654	14,750
WHS	0%	0		
SCIC	0%	0		0
CID	0%	0		0
TOTAL:		893,760	459,988	784,000
EXPECTED:		460,000	460,000	460,000
LOSS/GAIN:		433,760	-12	324,000

	2016 LIABILITY	CONTRIBUTI	ONS	
	Change in Exposure	2015	2016	2016 Recommended
		5.162	7.650	6.650
BEAVER	15%	55,709	82,560	71,768
BOX ELDER	14%	150,544	223,104	193,940
DAGGETT	-2%	25,260	37,435	32,541
DAVIS	2%	317,050	469,864	408,444
DUCHESNE	14%	82,007	121,533	105,646
EMERY	27%	70,975	105,184	91,435
GARFIELD	-5%	65,056	96,412	83,809
IRON	-36%	84,801	125,674	109,246
JUAB	13%	50,852	75,362	65,511
KANE	10%	92,730	137,424	119,460
MILLARD	-29%	81,385	120,611	104,845
MORGAN	22%	35,288	52,296	45,460
PIUTE	0%	8,420	12,478	10,847
RICH	11%	23,318	34,557	30,040
SAN JUAN	7%	88,496	131,149	114,006
SANPETE	-6%	49,241	72,975	63,436
SEVIER	11%	85,444	126,626	110,073
UINTAH	-7%	163,401	242,158	210,503
WASATCH	19%	130,782	193,816	168,481
WASHINGTON	4%	221,654	328,487	285,548
WAYNE	11%	27,192	40,297	35,030
WEBER	1%	347,082	514,370	447,132
UCIP	-1%	5,498	8,147	7,08
CENTRAL	-2%	17,005	25,201	21,90
SOUTHEASTERN	-16%	12,722	18,854	16,38
SOUTHWEST	6%	26,810	39,732	34,53
TRICOUNTY	27%	13,503	20,011	17,39
WASATCH	3%	10,457	15,497	13,47
WEBER-MORGAN	21%	36,984	54,810	47,64
WASHINGTON IA	-48%	7,276	10,783	9,37
WCIA	237%	1,112	1,287	7 1,21
SAJT	-13%	0	(	)
WHS	0%	9,456	13,653	3 11,96
SCIC	13%	1,697		3 1,97
CID	17%	1,248		
TOTAL:		2,400,455	3,555,990	3,091,547
EXPECTED:		3,550,000	3,550,000	
LOSS/GAIN:		-1,149,545		-458,453

#### **2016 EXCESS LIABILITY CONTRIBUTIONS**

BOX ELDER 14% 16,040 16,478 16 DAGGETT -2% 2,691 2,765 2 DAVIS 2% 33,781 34,702 34 DUCHESNE 14% 8,738 8,976 88 EMERY 27% 7,562 7,768 7 GARFIELD -5% 6,932 7,121 7 IRON 36% 9,035 9,282 9 JUAB 13% 5,418 5,566 9 KANE 10% 9,880 10,150 10 MILLARD -29% 8,671 8,908 8 MORGAN 22% 3,760 3,862 10 MILLARD -29% 8,671 8,908 8 MORGAN 22% 3,760 3,862 10 MILLARD 11% 2,484 2,552 10 SAN JUAN 7% 9,429 9,686 9 SEVIER 11% 9,104 9,352 10 JUNTAH -7% 17,410 17,885 1 WASATCH 19% 13,935 14,315 10 WASATCH 19% 36,981 37,989 3 UCIP -1% 586 602 CENTRAL -2% 1,812 1,861 SOUTHWEST 6% 2,857 2,934 TRICOUNTY 27% 1,439 1,478 WASATCH 3% 1,114 1,145 WEBER-MORGAN 21% 3,941 4,048 WASHINGTON A 48% 775 796 WEBER-MORGAN 21% 3,941 4,048 WASHINGTON A 48% 775 796 WCIA 237% 0 0 0 SAJT -13% 0 0 0 SCIC 13% 101 104 CID 17% 0 0 0  TOTAL: 254,424 261,363 261,363		Change in Exposure	2015 Rates	2016 Actuarial Rates	2016 Recommended	
BOX ELDER 14% 16,040 16,478 16 DAGGETT -2% 2,691 2,765 2 DAVIS 2% 33,781 34,702 34 DUCHESNE 14% 8,738 8,976 88 EMERY 27% 7,562 7,768 7 GARFIELD -5% 6,932 7,121 7 IRON 36% 9,035 9,282 9 JUAB 13% 5,418 5,566 9 KANE 10% 9,880 10,150 10 MILLARD -29% 8,671 8,908 8 MORGAN 22% 3,760 3,862 10 MILLARD -29% 8,671 8,908 8 MORGAN 22% 3,760 3,862 10 MILLARD 11% 2,484 2,552 10 SAN JUAN 7% 9,429 9,686 9 SEVIER 11% 9,104 9,352 10 JUNTAH -7% 17,410 17,885 1 WASATCH 19% 13,935 14,315 10 WASATCH 19% 36,981 37,989 3 UCIP -1% 586 602 CENTRAL -2% 1,812 1,861 SOUTHWEST 6% 2,857 2,934 TRICOUNTY 27% 1,439 1,478 WASATCH 3% 1,114 1,145 WEBER-MORGAN 21% 3,941 4,048 WASHINGTON A 48% 775 796 WEBER-MORGAN 21% 3,941 4,048 WASHINGTON A 48% 775 796 WCIA 237% 0 0 0 SAJT -13% 0 0 0 SCIC 13% 101 104 CID 17% 0 0 0  TOTAL: 254,424 261,363 261,363			0.550	0.565	0.565	
DAGGETT -2% 2,691 2,765 22 DAVIS 2% 33,781 34,702 34 DUCHESNE 14% 8,738 8,976 8 EMERY 27% 7,562 7,768 7 GARFIELD -5% 6,932 7,121 7 IRON -366% 9,035 9,282 9 JUAB 13% 5,418 5,566 5 KANE 10% 9,880 10,150 10 MILLARD -29% 8,671 8,908 8 MORGAN 22% 3,760 3,862 3 PIUTE 0% 897 922 RICH 11% 2,484 2,552 5 SAN JUAN 7% 9,429 9,686 5 SANPETE -6% 5,247 5,390 SEVIER 11% 9,104 9,352 11 UINTAH -7% 17,410 17,885 1 WASATCH 19% 13,935 14,315 1 WASHINGTON 4% 23,617 24,261 22 WAYNE 11% 2,897 2,976 WEBER 1% 36,981 37,989 3 UCIP -1% 586 602 CENTRAL -2% 1,812 1,861 SOUTHEASTERN -16% 1,356 1,392 SOUTHWEST 6% 2,857 2,934 TRICOUNTY 27% 1,439 1,478 WASATCH 39% 1,114 1,145 WEBER-MORGAN 21% 3,941 4,048 WASHINGTON IA 48% 775 796 WCIA 237% 0 0 0 SAIT -13% 0 0 0 SCIC 13% 101 104 CID 17% 0 0 0	BEAVER	15%	5,936	6,098	6,098	
DAVIS         2%         33,781         34,702         34           DUCHESNE         14%         8,738         8,976         8           EMERY         27%         7,562         7,768         7           GARFIELD         -5%         6,932         7,121         7           IRON         -36%         9,035         9,282         9           JUAB         13%         5,418         5,566         9           JUAB         13,908         8         10,150         10           MILLARD         9,880         10,150         10           MILLARD         9,880         10,150         13           MCIH         13%         5,417         3,908         2           SAD	BOX ELDER	14%	16,040	16,478	16,478	
DUCHESNE         14%         8,738         8,976         8           EMERY         27%         7,562         7,768         7           GARFIELD         -5%         6,932         7,121         7           IRON         -36%         9,035         9,282         9           JUAB         13%         5,418         5,566         5           KANE         10%         9,880         10,150         10           MILLARD         -29%         8,671         8,908         8           MORGAN         22%         3,760         3,862         3           PIUTE         0%         897         922         8           RICH         11%         2,484         2,552         3           SAN JUAN         7%         9,429         9,686         3           SANJETE         -6%         5,247         5,390         3           SEVIER         11%         9,104         9,352         3           UINTAH         -7%         17,410         17,885         1           WASHINGTON         4%         23,617         24,261         2           WAYNE         11%         36,981         37,989	DAGGETT	-2%	2,691	2,765	2,765	
EMERY 27% 7,562 7,768 7  GARFIELD -5% 6,932 7,121 7  IRON -36% 9,035 9,282 9  JUAB 13% 5,418 5,566 5  KANE 10% 9,880 10,150 10  MILLARD -29% 8,671 8,908 8  MORGAN 22% 3,760 3,862 9  FIUTE 0% 897 922  RICH 11% 2,484 2,552 5  SAN JUAN 7% 9,429 9,686 9  SANPETE -6% 5,247 5,390 9  SEVIER 11% 9,104 9,352 1  UINTAH -7% 17,410 17,885 1  WASATCH 19% 13,935 14,315 1  WASHINGTON 4% 23,617 24,261 2  WAYNE 11% 2,897 2,976  WEBER 1% 36,981 37,989 3  UCIP -1% 586 602  CENTRAL -2% 1,812 1,861  SOUTHEASTERN -16% 1,356 1,392  SOUTHWEST 6% 2,857 2,934  TRICOUNTY 27% 1,439 1,478  WASATCH 3% 1,114 1,145  WEBER-MORGAN 21% 3,941 4,048  WASHINGTON 1A -48% 775 796  WCIA 237% 0 0 0  SCIC 13% 101 104  CID 17% 0 0 0  TOTAL: 254,424 261,363 261,363	DAVIS	2%	33,781	34,702	34,702	
GARFIELD -5% 6,932 7,121 7,121 1,121 1,132 1,133 1,134 1,135 1,134 1,145	DUCHESNE	14%	8,738	8,976	8,976	
IRON	EMERY	27%	7,562	7,768	7,768	
JUAB 13% 5,418 5,566 55  KANE 10% 9,880 10,150 10  MILLARD -29% 8,671 8,908 8  MORGAN 22% 3,760 3,862 11  PIUTE 0% 897 922  RICH 11% 2,484 2,552 11  SAN JUAN 7% 9,429 9,686 11  SANPETE -6% 5,247 5,390 11  SEVIER 11% 9,104 9,352 11  UINTAH -7% 17,410 17,885 11  WASATCH 19% 13,935 14,315 11  WASHINGTON 4% 23,617 24,261 22  WAYNE 11% 36,981 37,989 33  UCIP -1% 586 602  CENTRAL -2% 1,812 1,861  SOUTHEASTERN -16% 1,356 1,392  SOUTHWEST 6% 2,857 2,934  TRICOUNTY 27% 1,439 1,478  WASATCH 3% 1,114 1,145  WEBER-MORGAN 21% 3,941 4,048  WASHINGTON IA -48% 775 796  WCIA 237% 0 0  SAJT -13% 0 0  WHS 0% 0 0 0  SCIC 13% 101 104  CID 17% 0 0 0  TOTAL: 226,1363 261,363	GARFIELD	-5%	6,932	7,121	7,121	
KANE       10%       9,880       10,150       10         MILLARD       -29%       8,671       8,908       8         MORGAN       22%       3,760       3,862       3         PIUTE       0%       897       922         RICH       11%       2,484       2,552       3         SAN JUAN       7%       9,429       9,686       9         SANPETE       -6%       5,247       5,390       9         SEVIER       11%       9,104       9,352       1         UINTAH       -7%       17,410       17,885       1         WASATCH       19%       13,935       14,315       1         WASHINGTON       4%       23,617       24,261       2         WAYNE       11%       2,897       2,976         WEBER       1%       36,981       37,989       3         UCIP       -1%       586       602         CENTRAL       -2%       1,812       1,861         SOUTHWEST       6%       2,857       2,934         TRICOUNTY       27%       1,439       1,478         WASATCH       3%       1,114       1,145 <t< td=""><td>IRON</td><td>-36%</td><td>9,035</td><td>9,282</td><td>9,282</td></t<>	IRON	-36%	9,035	9,282	9,282	
MILLARD         -29%         8,671         8,908         8           MORGAN         22%         3,760         3,862         3           PIUTE         0%         897         922           RICH         11%         2,484         2,552         3           SAN JUAN         7%         9,429         9,686         3           SANPETE         -6%         5,247         5,390         3           SEVIER         11%         9,104         9,352         1           UINTAH         -7%         17,410         17,885         1           WASATCH         19%         13,935         14,315         1           WASHINGTON         4%         23,617         24,261         2           WAYNE         11%         2,897         2,976         3           WEBER         1%         36,981         37,989         3           UCIP         -1%         586         602         602           CENTRAL         -2%         1,812         1,861         500           SOUTHWEST         6%         2,857         2,934         7           TRICOUNTY         27%         1,439         1,478	JUAB	13%	5,418	5,566	5,566	
MORGAN         22%         3,760         3,862         3           PIUTE         0%         897         922           RICH         11%         2,484         2,552           SAN JUAN         7%         9,429         9,686           SANPETE         -6%         5,247         5,390           SEVIER         11%         9,104         9,352           UINTAH         -7%         17,410         17,885         1           WASATCH         19%         13,935         14,315         1           WASHINGTON         4%         23,617         24,261         2           WAYNE         11%         2,897         2,976           WEBER         1%         36,981         37,989         3           UCIP         -1%         586         602           CENTRAL         -2%         1,812         1,861           SOUTHEASTERN         -16%         1,356         1,392           SOUTHWEST         6%         2,857         2,934           TRICOUNTY         27%         1,439         1,478           WASATCH         3%         1,114         1,145           WEBER-MORGAN         21%         <	KANE	10%	9,880	10,150	10,150	
PIUTE         0%         897         922           RICH         11%         2,484         2,552           SAN JUAN         7%         9,429         9,686           SANPETE         -6%         5,247         5,390           SEVIER         11%         9,104         9,352           UINTAH         -7%         17,410         17,885         1           WASATCH         19%         13,935         14,315         1           WASHINGTON         4%         23,617         24,261         2           WAYNE         11%         2,897         2,976           WEBER         1%         36,981         37,989         3           UCIP         -1%         586         602           CENTRAL         -2%         1,812         1,861           SOUTHEASTERN         -16%         1,356         1,392           SOUTHWEST         6%         2,857         2,934           TRICOUNTY         27%         1,439         1,478           WASATCH         3%         1,114         1,145           WEBER-MORGAN         21%         3,941         4,048           WASHINGTON IA         -48%         775	MILLARD	-29%	8,671	8,908	8,908	
RICH 11% 2,484 2,552 SAN JUAN 7% 9,429 9,686 SAN JUAN 7% 5,247 5,390 SEVIER 11% 9,104 9,352 UINTAH -7% 17,410 17,885 1 WASATCH 19% 13,935 14,315 1 WASHINGTON 4% 23,617 24,261 2 WAYNE 11% 2,897 2,976 WEBER 1% 36,981 37,989 3 UCIP -1% 586 602 CENTRAL -2% 1,812 1,861 SOUTHEASTERN -16% 1,356 1,392 SOUTHWEST 6% 2,857 2,934 TRICOUNTY 27% 1,439 1,478 WASATCH 3% 1,114 1,145 WEBER-MORGAN 21% 3,941 4,048 WASHINGTON IA -48% 775 796 WCIA 237% 0 0 0 SAJT -13% 0 0 0 SCIC 13% 101 104 CID 17% 0 0 0 TOTAL:	MORGAN	22%	3,760	3,862	3,862	
SAN JUAN       7%       9,429       9,686         SANPETE       -6%       5,247       5,390         SEVIER       11%       9,104       9,352         UINTAH       -7%       17,410       17,885       1         WASATCH       19%       13,935       14,315       1         WASHINGTON       4%       23,617       24,261       2         WAYNE       11%       2,897       2,976         WEBER       1%       36,981       37,989       3         UCIP       -1%       586       602         CENTRAL       -2%       1,812       1,861         SOUTHWEST       6%       2,857       2,934         TRICOUNTY       27%       1,439       1,478         WASATCH       3%       1,114       1,145         WEBER-MORGAN       21%       3,941       4,048         WASHINGTON IA       -48%       775       796         WCIA       237%       0       0         SAIT       -13%       0       0         WHS       0%       0       0         SCIC       13%       101       104         CID       17% </td <td>PIUTE</td> <td>0%</td> <td>897</td> <td>922</td> <td colspan="2">922</td>	PIUTE	0%	897	922	922	
SANPETE       -6%       5,247       5,390         SEVIER       11%       9,104       9,352         UINTAH       -7%       17,410       17,885       1         WASATCH       19%       13,935       14,315       1         WASHINGTON       4%       23,617       24,261       2         WAYNE       11%       2,897       2,976         WEBER       1%       36,981       37,989       3         UCIP       -1%       586       602         CENTRAL       -2%       1,812       1,861         SOUTHEASTERN       -16%       1,356       1,392         SOUTHWEST       6%       2,857       2,934         TRICOUNTY       27%       1,439       1,478         WASATCH       3%       1,114       1,145         WEBER-MORGAN       21%       3,941       4,048         WASHINGTON IA       -48%       775       796         WCIA       237%       0       0         SAJT       -13%       0       0         WHS       0%       0       0         SCIC       13%       101       104         CID <td< td=""><td>RICH</td><td>11%</td><td>2,484</td><td>2,552</td><td colspan="2">2,552</td></td<>	RICH	11%	2,484	2,552	2,552	
SEVIER         11%         9,104         9,352           UINTAH         -7%         17,410         17,885         1           WASATCH         19%         13,935         14,315         1           WASHINGTON         4%         23,617         24,261         2           WAYNE         11%         2,897         2,976           WEBER         1%         36,981         37,989         3           UCIP         -1%         586         602           CENTRAL         -2%         1,812         1,861           SOUTHEASTERN         -16%         1,356         1,392           SOUTHWEST         6%         2,857         2,934           TRICOUNTY         27%         1,439         1,478           WASATCH         3%         1,114         1,145           WEBER-MORGAN         21%         3,941         4,048           WASHINGTON IA         -48%         775         796           WCIA         237%         0         0           SAJT         -13%         0         0           WHS         0%         0         0           SCIC         13%         101         104 <td>SAN JUAN</td> <td>7%</td> <td>9,429</td> <td>9,686</td> <td>9,686</td>	SAN JUAN	7%	9,429	9,686	9,686	
UINTAH         -7%         17,410         17,885         1           WASATCH         19%         13,935         14,315         1           WASHINGTON         4%         23,617         24,261         2           WAYNE         11%         2,897         2,976           WEBER         1%         36,981         37,989         3           UCIP         -1%         586         602           CENTRAL         -2%         1,812         1,861           SOUTHEASTERN         -16%         1,356         1,392           SOUTHWEST         6%         2,857         2,934           TRICOUNTY         27%         1,439         1,478           WASATCH         3%         1,114         1,145           WEBER-MORGAN         21%         3,941         4,048           WASHINGTON IA         -48%         775         796           WCIA         237%         0         0         0           SAJT         -13%         0         0         0           SCIC         13%         101         104           CID         17%         0         0	SANPETE	-6%	5,247	5,390	5,390	
WASATCH       19%       13,935       14,315       1         WASHINGTON       4%       23,617       24,261       2         WAYNE       11%       2,897       2,976         WEBER       1%       36,981       37,989       3         UCIP       -1%       586       602         CENTRAL       -2%       1,812       1,861         SOUTHEASTERN       -16%       1,356       1,392         SOUTHWEST       6%       2,857       2,934         TRICOUNTY       27%       1,439       1,478         WASATCH       3%       1,114       1,145         WEBER-MORGAN       21%       3,941       4,048         WASHINGTON IA       -48%       775       796         WCIA       237%       0       0         SAJT       -13%       0       0         WHS       0%       0       0         SCIC       13%       101       104         CID       17%       0       0	SEVIER	11%	9,104	9,352	9,352	
WASHINGTON         4%         23,617         24,261         2           WAYNE         11%         2,897         2,976           WEBER         1%         36,981         37,989         3           UCIP         -1%         586         602           CENTRAL         -2%         1,812         1,861           SOUTHEASTERN         -16%         1,356         1,392           SOUTHWEST         6%         2,857         2,934           TRICOUNTY         27%         1,439         1,478           WASATCH         3%         1,114         1,145           WEBER-MORGAN         21%         3,941         4,048           WASHINGTON IA         -48%         775         796           WCIA         237%         0         0           SAJT         -13%         0         0           WHS         0%         0         0           SCIC         13%         101         104           CID         17%         0         0	UINTAH	-7%	17,410	17,885	17,885	
WAYNE       11%       2,897       2,976         WEBER       1%       36,981       37,989       3         UCIP       -1%       586       602       602         CENTRAL       -2%       1,812       1,861       5         SOUTHEASTERN       -16%       1,356       1,392       5         SOUTHWEST       6%       2,857       2,934       7         TRICOUNTY       27%       1,439       1,478       1,478         WASATCH       3%       1,114       1,145       1,478	WASATCH	19%	13,935	14,315	14,315	
WEBER       1%       36,981       37,989       3         UCIP       -1%       586       602         CENTRAL       -2%       1,812       1,861         SOUTHEASTERN       -16%       1,356       1,392         SOUTHWEST       6%       2,857       2,934         TRICOUNTY       27%       1,439       1,478         WASATCH       3%       1,114       1,145         WEBER-MORGAN       21%       3,941       4,048         WASHINGTON IA       -48%       775       796         WCIA       237%       0       0         SAJT       -13%       0       0         WHS       0%       0       0         SCIC       13%       101       104         CID       17%       0       0	WASHINGTON	4%	23,617	24,261	24,261	
UCIP       -1%       586       602         CENTRAL       -2%       1,812       1,861         SOUTHEASTERN       -16%       1,356       1,392         SOUTHWEST       6%       2,857       2,934         TRICOUNTY       27%       1,439       1,478         WASATCH       3%       1,114       1,145         WEBER-MORGAN       21%       3,941       4,048         WASHINGTON IA       -48%       775       796         WCIA       237%       0       0         SAJT       -13%       0       0         WHS       0%       0       0         SCIC       13%       101       104         CID       17%       0       0	WAYNE	11%	2,897	2,976	2,976	
CENTRAL -2% 1,812 1,861 SOUTHEASTERN -16% 1,356 1,392 SOUTHWEST 6% 2,857 2,934 TRICOUNTY 27% 1,439 1,478 WASATCH 3% 1,114 1,145 WEBER-MORGAN 21% 3,941 4,048 WASHINGTON IA -48% 775 796 WCIA 237% 0 0 0 SAJT -13% 0 0 0 WHS 0% 0 0 SCIC 13% 101 104 CID 17% 0 0	WEBER	1%	36,981	37,989	37,989	
SOUTHEASTERN         -16%         1,356         1,392           SOUTHWEST         6%         2,857         2,934           TRICOUNTY         27%         1,439         1,478           WASATCH         3%         1,114         1,145           WEBER-MORGAN         21%         3,941         4,048           WASHINGTON IA         -48%         775         796           WCIA         237%         0         0           SAJT         -13%         0         0           WHS         0%         0         0           SCIC         13%         101         104           CID         17%         0         0           TOTAL:         254,424         261,363         261,363	UCIP	-1%	586	602	602	
SOUTHWEST       6%       2,857       2,934         TRICOUNTY       27%       1,439       1,478         WASATCH       3%       1,114       1,145         WEBER-MORGAN       21%       3,941       4,048         WASHINGTON IA       -48%       775       796         WCIA       237%       0       0         SAJT       -13%       0       0         WHS       0%       0       0         SCIC       13%       101       104         CID       17%       0       0	CENTRAL	-2%	1,812	1,861	1,861	
TRICOUNTY       27%       1,439       1,478         WASATCH       3%       1,114       1,145         WEBER-MORGAN       21%       3,941       4,048         WASHINGTON IA       -48%       775       796         WCIA       237%       0       0         SAJT       -13%       0       0         WHS       0%       0       0         SCIC       13%       101       104         CID       17%       0       0	SOUTHEASTERN	-16%	1,356	1,392	1,392	
WASATCH       3%       1,114       1,145         WEBER-MORGAN       21%       3,941       4,048         WASHINGTON IA       -48%       775       796         WCIA       237%       0       0         SAJT       -13%       0       0         WHS       0%       0       0         SCIC       13%       101       104         CID       17%       0       0    TOTAL:	SOUTHWEST	6%	2,857	2,934	2,934	
WEBER-MORGAN       21%       3,941       4,048         WASHINGTON IA       -48%       775       796         WCIA       237%       0       0         SAJT       -13%       0       0         WHS       0%       0       0         SCIC       13%       101       104         CID       17%       0       0    TOTAL:	TRICOUNTY	27%	1,439	1,478	1,478	
WASHINGTON IA       -48%       775       796         WCIA       237%       0       0         SAJT       -13%       0       0         WHS       0%       0       0         SCIC       13%       101       104         CID       17%       0       0    TOTAL:	WASATCH	3%	1,114	1,145	1,145	
WCIA       237%       0       0         SAJT       -13%       0       0         WHS       0%       0       0         SCIC       13%       101       104         CID       17%       0       0    TOTAL:	WEBER-MORGAN	21%	3,941	4,048	4,048	
SAJT -13% 0 0 WHS 0% 0 0 SCIC 13% 101 104 CID 17% 0 0  TOTAL: 254,424 261,363 261,363	WASHINGTON IA	-48%	775	796	796	
WHS     0%     0     0       SCIC     13%     101     104       CID     17%     0     0   TOTAL:	WCIA	237%	C	) C	0	
SCIC     13%     101     104       CID     17%     0     0       TOTAL:     254,424     261,363     261,363	SAJT	-13%	C	) (	0	
CID         17%         0         0           TOTAL:         254,424         261,363         261,363	WHS	0%	C	) (	0	
TOTAL: 254,424 261,363 261,36	SCIC	13%	101	104	104	
ACCOUNTS WARE	CID	17%	C	) (	0	
W1905009 W9401000000 W100000 W100000 W10000 W100000 W10000 W10000 W10000 W10000 W10000 W10000 W10000 W10000 W100000 W10000 W10000 W10000 W10000 W10000 W10000 W10000 W10000 W1000	EXPECTED:		260,000	260,000	<b>261,363 260,000</b> 1,363	

2016 CRIME CONTRIBUTIONS							
	Change in Exposure	2015 Rates	2016 Excess Increase	2016 Recommended			
	Exposure	0.550	0.565	0.565			
BEAVER	15%	58	3 600				
BOX ELDER	14%	1,57	5 1,622				
DAGGETT	-2%	26	4 272				
DAVIS	2%	3,31	7 3,416				
DUCHESNE	14%	85	8 884				
EMERY	27%	74	2 765				
GARFIELD	-5%	68	1 701				
IRON	-36%	88	7 914	914			
JUAB	13%	53	2 548	548			
KANE	10%	97	0 999	999			
MILLARD	-29%	85	51 87	7 877			
MORGAN	22%	36	380	380			
PIUTE	0%	{	38 9:	1 91			
RICH	11%	24	14 25	1 251			
SAN JUAN	7%	92	26 95	4 954			
SANPETE	-6%	5:	15 53	1 531			
SEVIER	11%	8!	94 92	1 921			
UINTAH	-7%	1,7	09 1,76	1 1,761			
WASATCH	19%	1,3	68 1,40	9 1,409			
WASHINGTON	4%	2,3	19 2,38	8 2,388			
WAYNE	11%	2	84 29	3 293			
WEBER	1%	3,6	31 3,74	3,740			
UCIP	-1%		58 5	59 59			
CENTRAL	-2%	1	.78 18	183			
SOUTHEASTERN	-16%	1	.33 13	37 137			
SOUTHWEST	6%	2	280 28	39 289			
TRICOUNTY	27%	1	41 14	45 <b>1</b> 45			
WASATCH	3%	1	1:	13 113			
WEBER-MORGAN	21%		387 3	99 399			
WASHINGTON IA	-48%		76	78 78			
WCIA	237%		4	4 4			
SAJT	-13%	1,!	521 1,5	67 1,567			
WHS	0%			94 94			
SCIC	13%		10	10 10			
CID	17%		5	5 5			
TOTAL:		26,	601 27,3	99 27,399			

EXPECTED:

LOSS/GAIN:

	2016 CYBER Change in Exposure	2015 Rates	2016 Excess Increase	2016 Recommended	
	Exposure	6.000	6.090	6.0	90
DEAL/ED	-58%	270	274		274
BEAVER	4%	1,020	1,035		1,035
SOX ELDER	0%	276	280	)	280
DAGGETT	-4%	3,000	3,045	j	3,045
DAVIS	2%	876	889	)	889
DUCHESNE	47%	654	664	1	664
MERY	0%	432	438	3	438
GARFIELD	0%	1,098	1,11	4	1,114
RON	0%	432	43	8	438
JUAB	7%	654	66	4	664
KANE		816	82	8	828
MILLARD	1%	246			250
MORGAN	0%	144			146
PIUTE	0%	168	Asset Harrison St. Transfer Village		171
RICH	0%	828	- L		840
SAN JUAN	0%	564			572
SANPETE	3%	744		- 55	755
SEVIER	0%	1,392			1,413
UINTAH	4%	942		56	956
WASATCH	-22%		-		2,205
WASHINGTON	3%	2,17	7.9	89	189
WAYNE	0%	18			4,141
WEBER	-3%	4,08		30	30
UCIP	0%	3	ŭ .	25	225
CENTRAL	0%	22	<del>-</del>		158
SOUTHEASTERN	-26%	15	_	.58 305	30!
SOUTHWEST	0%	30		146	14
TRICOUNTY	4%	14	•	91	9
WASATCH	0%		90 444		45
WEBER-MORGAN	0%	44	444		43
WASHINGTON IA	0%		0	0	
WCIA	0%		6	6	
SAJT	4%	1,3	· · · · · · · · · · · · · · · · · ·	389	1,38
WHS	0%		6	6	
SCIC	0%		0	0	
CID	0%		0	0	
TOTAL:		23,7	760 24	,116	24,1

EXPECTED: LOSS/GAIN:

#### **2016 CONTRIBUTION**

#### Contribution by Line

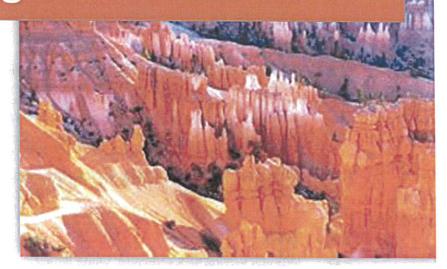
	Property	Auto	Liability	Excess	Crime	Cyber	Total
BEAVER	44,860	16,250	71,768	6,098	600	274	139,850
BOX ELDER	62,066	57,250	193,940	16,478	1,622	1,035	332,391
DAGGETT	17,783	12,500	32,541	2,765	272	280	66,142
DAVIS	236,456	51,250	408,444	34,702	3,416	3,045	737,313
DUCHESNE	51,620	34,000	105,646	8,976	884	889	202,015
EMERY	62,972	35,750	91,435	7,768	765	664	199,353
GARFIELD	32,587	26,750	83,809	7,121	701	438	151,406
IRON	68,140	50,750	109,246	9,282	914	1,114	239,446
JUAB	47,371	36,500	65,511	5,566	548	438	155,934
KANE	34,424	21,000	119,460	10,150	999	664	186,697
MILLARD	53,593	39,250	104,845	8,908	877	828	208,301
MORGAN	19,470	12,500	45,460	3,862	380	250	81,923
PIUTE	7,879	7,000	10,847	922	91	146	26,884
RICH	7,995	11,250	30,040	2,552	251	171	52,259
SAN JUAN	50,617	58,500	114,006	9,686	954	840	234,603
SANPETE	32,931	22,500	63,436	5,390	531	572	125,359
SEVIER	46,723	36,000	110,073	9,352	921	755	203,824
UINTAH	119,834	34,250	210,503	17,885	1,761	1,413	385,646
WASATCH	90,570	42,750	168,481	14,315	1,409	956	318,481
WASHINGTON	107,250	50,750	285,548	24,261	2,388	2,205	472,402
WAYNE	12,858	18,250	35,030	2,976	293	189	69,595
	322,684	72,000	447,132	37,989	3,740	4,141	887,686
WEBER UCIP	170	0	7,082	602	59	30	7,944
CENTRAL	3,626	3,500	21,907	1,861	183	225	31,303
SOUTHEASTERN	3,575	3,250	16,389	1,392	137	158	24,902
SOUTHWEST	10,448		34,539	2,934	289	305	53,264
TRICOUNTY	4,167		17,396	1,478	145	146	25,832
WASATCH	659		13,471	1,145	113	91	16,979
WEBER-MORGAN	5,440		47,645	4,048	399	451	64,232
WASHINGTON IA	48,274		The state of the s	796	78	0	59,023
SAJT	2			0		6	1,228
WHS	27,620			0	1,567	1,389	45,325
	27,626				94	6	12,066
SCIC CID	0					0	2,083
	0					0	1,397
KRT			-7-3-	SOUTH AND THE STREET			
TOTAL:	1,634,664	784,000	3,091,547	261,363	27,399	24,116	5,823,089
EXPECTED:	1,500,000			260,000			5,770,000
LOSS/GAIN:	134,664					24,116	53,089
LUSS/ GAIN:	234,004		,		Ā.		

# BYLAWS OF THE SIXTH AMENDED INTERLOCAL AGREEMENT OF THE UTAH COUNTIES INDEMNITY POOL

#### ARTICLE 5. Board of Trustees.

Members of the Board of Trustees will be reimbursed for reasonable and approved 5.2 expenses incurred in attending Board meetings and in otherwise carrying out their responsibilities. UCIP will reimburse Trustees for in-state travel by private vehicle at the rate allowed by the Internal Revenue Service at the time of travel, as well as for lodging and meals at actual cost, within the guidelines for travel and expense reimbursement adopted by the State of Utah Department of Finance. For Trustees attending out-of-state conferences and business meetings as approved by the Board UCIP will pay directly the registration, airfare and lodging expenses for the dates of the conference or meeting and up to two travel days for Trustees arranging travel through the UCIP office. Trustees will be paid per diem for out-of-state meals and incidental expenses for each day of the training and travel day(s) pursuant to the rates published by the Office of Government Policy, General Services Administration. Trustees will also be compensated for necessary transportation expenses between the airport and lodging. Receipts for airfare, lodging and necessary transportation, paid by the Trustee, are required for reimbursement. A written statement by the Trustee will be required in place of a lost receipt. Reimbursement is made based on the least expensive reasonable method of travel. Expenses for spouses who accompany Trustees to UCIP meetings or to approved out-of-state training are the responsibility of the Trustee. UCIP will invoice Trustees for any spouse expenses paid by UCIP. However, there will be no charge for spouses attending business meals hosted by the Chief Executive Officer. Requests for reimbursement shall be submitted within 60 days of completion of a trip.

# Risk Management Conference



September 2-3, 2015 Ruby's Inn, Bryce Canyon

#### Assistant to the CFO

The Utah Counties Indemnity Pool (UCIP), a political subdivision of the State of Utah, is seeking a full-time specialized assistant. This position will support the CFO and CEO in the daily operations of UCIP, an interlocal entity providing risk management services to counties and county related entities. The ideal candidate will have demonstrated experience in handling multifaceted duties. The successful candidate is expected to advance this position upon demonstrating a thorough understanding of major operations functions such as but not limited to:

- · Board of Trustees support agendas, minutes, reporting, training, travel;
- Regulatory Compliance Medicare, State Auditor, Transparency;
- Information Technology MS Office proficient, QuickBooks proficient, software updates, troubleshooting;
- · Financial Accounting accounts payable/receivable, audits, budgeting;
- · Human Resources employee benefits, federal/state/local reporting, payroll, purchasing;
- · Communications designing publications/periodicals, updates to website and social media applications;
- · Member Meetings logistics, planning, presenting;
- · Underwriting coverage document maintenance, coverage placement, data compilation.

Email cover letter and resume to: <a href="mailto:sonya@ucip.utah.gov">sonya@ucip.utah.gov</a>. Include any experience working in the public sector, degree/designations, references and salary requirements. UCIP provides health, dental, vision, retirement, sick and vacation leave for its employees. Deadline for initial screening and interviews is 09/10/2015. This position will be open until filled by a qualified candidate.

#### ASSISTANT to the CHIEF FINANCIAL OFFICER

#### **MEDIA POSTING**

Salt Lake Tribune <u>http://www.sltrib.com</u>

**2**801-257-8742

90 S. 400 West, Suite 700 Salt Lake City, Utah 84101

Deseret News <a>http://www.deseretnews.com</a>

**2801-237-2100** 

55 North 300 West

Salt Lake City, Utah 84101

#### **Daggett County**

Vernal Express

http://www.ubmedia.biz/vernal/

435 789 3511 PO Box 1000

Vernal, UT 84078-100

#### **Garfield County**

The St. George Spectrum 435 674 6200 275 E St George Blvd St George, UT 84770

#### **Grand County**

Times - Independent

http://www.moabtimes.com

435 259 7525

35 East Center Street Moab, UT 84532

#### **Kane County**

Southern Utah News

http://www.sunnews.net

435 644 2900 245 S 200 E Kanab, UT 84741 The St. George Spectrum

http://www.thespectrum.com

435 674 6200

275 East St George Blvd St George, UT 84770

#### Morgan County

Hilltop Times

http://www.hiltoptimes.com

801 625 4200

332 Standard Way

Ogden, UT 84412

The Morgan County News

http://morgannews.com

801 829 3451

185 North Commercial St #2

Morgan, UT 84050

Standard-Examiner

http://www.standard.net

801 625 4200

332 Standard Way

Ogden, UT 84412

#### **Piute County**

The Richfield Reaper

http://www.richfieldreaper.com

435 896 5476

65 West Center

Richfield, UT 84701

#### **Rich County**

The Herald Journal

http://news.hjnews.com

435 752 2121

75 West 300 North

Logan, UT 84321

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#### Schedule-at-a-Glance

#### Sunday, October 4

10:00am-4:00pm One Day Symposium for Pool General Counsel

12:00pm-5:00pm Registration & Information Desk

6:00pm-8:00pm Welcoming Reception

#### Monday, October 5

7:00am-4:00pm Registration & Information Desk

7:30am-8:45am General Breakfast & First Time Attendee Breakfast

9:00am-10:30am Opening Keynote: Second City Works

12:00pm-1:30pm Lunch & Advisory Standards Recognition Awards

10:45am-4:15pm Learning Track Breakout Sessions

5:00pm-6:00pm QEI Patron Appreciation Reception for All

#### Tuesday, October 6

6:15am-7:15am Group Run

7:00am-4:00pm Registration & Information Desk

8:00am-9:15am Breakfast Roundtables by Track

12:15pm-2:15pm Lunch & ERM General Session

9:30am-5:00pm Learning Track Breakout Sessions

#### Wednesday, October 7

7:00am-9:00am Registration & Information Desk

7:00am-8:30am Breakfast

7:30am-8:30am AGRIP Board & QEI Patron Linkage

8:30am-10:00am Drone Utilization in Local Governments: Underwriting and Risk

Management Implications

10:15am-12:15pm Dispute Resolution and Mediation Skills Training for Law Enforcement

Conference Ends

AGRIP is still finalizing the educational program, and conference content and timing is subject to change.

#### About Us

The Association of Governmental Risk Pools (AGRiP) was organized in late 1998 as a membership organization for public entity risk and benefits pools in North America. More information.

(http://www.agrip.org/whatisagrip)

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(http://agrip.member Membership (http://agrip.membershipstpft/

Conferences hipstpf PR Toolkit

9 Cornell Road Latham, NY 12110 Phone: (518) 389-2782 embership)

Email:info@agrip.org Job Postings Cybrary chrybp)ne) (mailto:info@agrip.org) (http://agrip.membershipst

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# UTAH COUNTIES INDEMNITY POOL FINANCIAL STATEMENTS December 31, 2014 and 2013



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#### **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees Utah Counties Indemnity Pool Murray, Utah

#### Report on the Financial Statements

We have audited the accompanying financial statements of Utah Counties Indemnity Pool (the Pool or UCIP) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Pool's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Pool, as of December 31, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 and the Contributions and Loss Development Information on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2015, on our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Pool's internal control over financial reporting and compliance.

Salt Lake City, Utah

June 15, 2015

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In conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, the management of the Utah Counties Indemnity Pool (the Pool or UCIP) presents this Management's Discussion and Analysis for the readers of UCIP's financial statements. Our intent is to provide a narrative overview and analysis of the financial activities of UCIP for the fiscal years ended December 31, 2014 and 2013. Readers are encouraged to consider this information in conjunction with the financial statements, notes to the financial statements and required supplementary information included in the independent auditors' report.

#### FINANCIAL STATEMENTS PROVIDED

Included in the independent auditors' report are the basic financial statements required under the GASB standards including:

- Statements of Net Position Accounts for all assets and liabilities of UCIP as of December 31, 2014 and 2013, showing the balance of net position (assets minus liabilities) as of those dates.
- Statements of Revenues, Expenses, and Changes in Net Position Accounts for all revenue and expenses accrued for the fiscal period, with calculation of the change in net position (revenue minus expenses) for the period. Expenses are classified as Operating Expenses (primarily consisting of expected losses to be paid and the cost of excess insurance covering catastrophic losses) and Administrative Expenses (primarily consisting of staff salaries and benefits and office operations). Expenses are further categorized to provide a level of detail appropriate for general management overview and control.
- Statements of Cash Flows Accounts for all revenues and expenses received or paid during the fiscal period with a calculation of net increase in cash and cash equivalents (revenue minus expenses) and total cash and cash equivalents at the end of the period. This statement provides a contrasting view of the revenues and expenses from the Statement of Revenues, Expenses, and Changes in Net Position as it accounts for revenues and expenses that were actually received or paid during the period, regardless of when the revenue was earned or due, or when the expense was accrued or invoiced.

#### BASIS OF ACCOUNTING METHODS

Financial statements provided in this report are reported using the Governmental Accounting Standards Board (GASB) basis of accounting. Traditional insurance companies often utilize statutory accounting methods in development of their financial statements that differ significantly from GASB accounting methods. Attempts to perform simple comparisons or benchmark analysis of a commercial carrier's financial reports and the financial reports contained here will likely yield distorted results.

#### CONDENSED FINANCIAL INFORMATION

The following Condensed Financial Statements are meant to provide a summary view of the audited financial statements as support for comments and analysis of the financial condition of UCIP offered by management in this letter.

#### Assets and Liabilities

Current and other assets decreased \$1,664,126 at year end 2014 compared to the prior year end while investments increased \$530,116 for the same period. Capital assets decreased \$10,903 as a result of depreciation. Total assets decreased by \$1,144,913.

Total liabilities at year end 2014 increased \$157,422 over year end 2013. This increase was primarily the result of a \$472,389 increase in contributions paid in advance.

In 2014 and 2013, net position decreased by \$1,302,335 and decreased by \$2,142,872, respectively, during the fiscal years. The decrease in net position for 2014 is the result of operating expenses exceeding operating income.

The condensed statement of net assets for the years ended 2014, 2013 and 2012 are as follows:

	2014	2013	Net Change	2012
Assets:				
Current and other assets	\$ 8,626,114	\$ 10,188,864	\$ (1,562,750)	\$ 11,208,496
Capital assets	16,080	26,983	(10,903)	42,448
Investments	4,116,586	3,687,846	428,740	2,944,157
Total assets	\$ 12,758,780	\$ 13,903,693	\$ (1,144,913)	\$ 14,195,101
Liabilities:				
Current and other liabilities	\$ 1,484,774	\$ 995,849	\$ 488,925	\$ 499,039
Reseve for losses and loss adjustment	8,771,838	9,103,341	(331,503)	7,748,687
Total liabilities	10,256,612	10,099,190	157,422	8,247,726
Net position:				
Invested in capital assets	16,080	26,983	(10,903)	42,448
Unrestricted	2,486,088	3,777,520	(1,291,432)	5,904,927
Total net position	2,502,168	3,804,503	(1,302,335)	5,947,375
Total liabilities and net position	\$ 12,758,780	\$ 13,903,693	\$ (1,144,913)	\$ 14,195,101

#### Operating Revenue and Expense

Revenue from contributions and management fees decreased \$494,559 for a total of \$4,590,930 in 2014. This decrease is attributed to loss of members in 2014 and 2013. While the decrease in member contribution revenue results in a decrease in operating revenue, a corresponding decrease in expenses will affect future statements over time. Operating expenses decreased \$757,235 from the prior year.

The condensed statement of operating revenue and expense for the years ended 2014, 2013 and 2012 are as follows:

	2014	2013	Net Change	2012
Operating revenue:				
Contributions and other considerations	\$ 4,590,930	\$ 5,085,489	\$ (494,559)	\$ 6,282,067
Investment income (loss)	546,910	(27,410)	574,320	412,506
Other income	14,133	18,261	(4,128)	20,943
Total operating revenues	5,151,973	5,076,340	75,633	6,715,516
Operating expenses:				
Loss and loss adjustment expenses	4,053,246	4,531,942	(478,696)	3,879,089
Reinsurance premiums	1,434,788	1,537,993	(103,205)	1,574,107
General and administrative	966,205	1,141,539	(175,334)	1,051,814
Total operating expenses	6,454,239	7,211,474	(757,235)	6,505,010
Net operating income (loss)	(1,302,266)	(2,135,134)	832,868	210,506
Unrealized gain (loss) on investments	(69)	(7,738)	7,669	4,041
Loss on disposal of fixed assets	<u> </u>	=		(191)
Change in net position	\$ (1,302,335)	\$ (2,142,872)	\$ 840,537	\$ 214,356

#### Investments

As a governmental subdivision regulated by the Money Management Council, UCIP invests the majority of funds in the Public Treasurers' Investment Fund (PTIF). Utilizing this "safe harbor" for compliance with the Money Management Act also provides UCIP significant liquidity and protection of capital in its invested assets. In 2011, UCIP moved \$2,000,000 of invested funds to Zions Wealth Advisors in anticipation of increasing investment rates. While investments with Zions Wealth Advisors outperformed the PTIF by a small amount in 2014 and 2013, it is anticipated these investments will outpace the PTIF more significantly as the market strengthens.

Equity investments consist of equity ownership in County Reinsurance Limited (CRL), a property and liability reinsurance pool of county based pools across the United States. UCIP is a member of CRL.

The condensed statement of cash and cash equivalents and investments for the years ended 2014, 2013 and 2012 are as follows:

	2014	2013	Net Change	2012
Cash and cash equivalents:				
Cash on deposit	\$ 248,109	\$ 1,696,207	\$ (1,448,098)	\$ 3,323,091
Public Treasurers' Investment Fund	6,318,420	7,733,255	(1,414,835)	6,338,084
Zions Wealth Advisors	70,376	98,838	(28,462)	932,845
Total cash and cash equivalents	6,636,905	9,528,300	(2,891,395)	10,594,020
Investments:				
Investments - U.S. government securities	2,003,901	1,953,117	50,784	1,105,752
Equity investment in County Reinsurance Limited	1,687,283	1,207,951	479,332	1,311,627
Land held for sale	526,778	526,778	_	526,778
Total investments	4,217,962	3,687,846	530,116	2,944,157
Total cash and cash equivalents and investments	\$ 10,854,867	\$ 13,216,146	\$ (2,361,279)	\$ 13,538,177

#### Financial Position

UCIP's net position at year end 2012 was \$5,947,375. This amount exceeded the target net position identified in the Net Asset Management Plan. The Net Asset Management Plan was adopted by the Board in 2012 to actively manage UCIP's net position between 90-100% of annual revenue. The plan provides that when net position exceeds 100% of annual revenue, the Board should issue dividends as experience dividends and/or equity dividends based on the UCIP Dividend Policy.

In 2013 the Board undertook a multi-faceted approach regarding the excess equity. At no cost to members, additional reinsurance was purchased to increase liability limits, to add cyber liability coverage and to improve overall coverages. Dividends in the amount of \$91,328 were returned to members. The Board utilized equity to offset the increased costs of member property appraisals. These actions by the Board, coupled with the decrease in "expected" loss and loss adjustment expenses, results in a net position of \$2,502,168 at December 31, 2014. Based on the 2015 member contributions of \$5,147,680, the surplus to premium ratio at year end 2014 was within industry standards.

The condensed statement of changes in net position for the years ended 2014, 2013 and 2012 are as follows:

	2014	2013	Net Change	2012	
Revenues and expenses:					
Revenues	\$ 5,151,904	\$ 5,068,602	\$ 83,302	\$ 6,719,366	
Expenses	6,454,239	7,211,474	(757,235)	6,505,010	
Net income (loss)	(1,302,335)	(2,142,872)	840,537	214,356	
Net position, beginning of year	3,804,503	5,947,375	(2,142,872)	5,733,019	
Net position, end of year	\$ 2,502,168	\$ 3,804,503	\$ (1,302,335)	\$ 5,947,375	

#### **BUDGET**

#### Revenue

Actual 2014 revenues were \$477,975 more than budgeted due to investment income performance.

#### Losses and Reinsurance Expenses

Actual 2014 expenses were \$334,754 less than budgeted due primarily to a decrease in losses and loss adjustment expenses.

#### Administrative Expenses

Management closely monitored budgeted administrative expenses of \$970,977 and was able to operate with actual expenses of \$966,205. The savings on actual to budgeted expenses was achieved primarily in the area of office operations.

#### MARKET TRENDS IN 2015

Management anticipates continued competitive pressure due to protracted soft market conditions. To counteract this trend, management and the Board have worked to expand member services and strengthen its relationship with the Utah Association of Counties, which originally created UCIP.

#### <u>Property</u>

Changes in catastrophic loss models which significantly increased the modeled earthquake loss exposure for the entire state of Utah in 2011 were updated early in 2013 with some reduction in the modeled earthquake exposure for portions of Utah, which may provide some relief on property reinsurance premiums from that budgeted for 2015.

#### **Liability**

While the overall market conditions are believed to remain competitive, signs of carriers increasing liability premiums continue into 2015. Most notably is the industry's move to exclude cyber liability risk from standard general liability and errors and omissions forms without a corresponding rate reduction, while selling this coverage as a new separate policy form for significant additional premium. Eventually, the liability market will increase premiums to improve their combined ratios to attract investors. This eventual "hardening" of the market will relieve some competitive pressure, but will also create increased reinsurance costs.

Questions concerning any of the information in this report, or any other matters related to UCIP's budget and finances should be addressed to the Chief Financial Officer, Utah Counties Indemnity Pool, 5397 S Vine, Murray, UT 84107.

#### UTAH COUNTIES INDEMNITY POOL STATEMENTS OF NET POSITION December 31, 2014 and 2013

		2014		2013
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$	6,636,905	\$	9,528,300
Short-term investments		101,376		=
Accounts receivable		3,190		6,796
Reinsurance recoverable				373,248
Members receivable		1,649,895		-
Prepaid expenses		223,412		269,184
TOTAL CURRENT ASSETS		8,614,778		10,177,528
INVESTMENTS		3,589,808		3,161,068
PROPERTY AND EQUIPMENT		16,080		26,983
OTHER ASSETS				
Land held for investment		526,778		526,778
Security deposits		11,336		11,336
TOTAL ASSETS	•	12 750 700	Ф.	12 002 602
TOTAL ASSETS	\$	12,758,780	\$	13,903,693
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Reserves for losses and loss adjustment expenses	\$	8,771,838	\$	9,103,341
Accounts payable		2,482		7,369
Accrued expenses		78,283		56,860
Contributions paid in advance		1,404,009		931,620
TOTAL CURRENT LIABILITIES		10,256,612		10,099,190
TOTAL LIABILITIES		10,256,612	Canada	10,099,190
NET POSITION				
Net investment in capital assets		16,080		26,983
Unrestricted		2,486,088		3,777,520
TOTAL NET POSITION		2,502,168		3,804,503
TOTAL LIABILITIES AND NET POSITION	\$	12,758,780	\$	13,903,693

The accompanying notes are an integral part of the financial statements.

#### UTAH COUNTIES INDEMNITY POOL STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION Years ended December 31, 2014 and 2013

	2014	2013
OPERATING INCOME		
Contributions	\$ 4,590,930	
Investment income (loss)	546,910	(27,410)
Other income	14,133	
TOTAL OPERATING INCOME	5,151,973	5,076,340
UNDERWRITING EXPENSES		
Losses and loss adjustment expenses	4,053,246	4,531,942
Reinsurance coverage	1,434,788	1,537,993
TOTAL UNDERWRITING EXPENSES	5,488,034	6,069,935
ADMINISTRATION EXPENSES		
Trustees	47,423	47,400
Depreciation	13,477	15,464
Dividend	-	91,328
Risk management	41,978	45,090
Public relations	18,579	15,401
Office	160,214	172,854
Financial	90,466	119,919
Personnel	594,068	634,083
TOTAL ADMINISTRATION EXPENSES	966,205	1,141,539
TOTAL OPERATING EXPENSES	6,454,239	7,211,474
NET OPERATING LOSS	(1,302,266	(2,135,134)
OTHER EXPENSES		
Unrealized loss on marketable securities	(69	(7,738)
TOTAL OTHER EXPENSES	(69	
CHANGE IN NET POSITION	(1,302,335	) (2,142,872)
NET POSITION AT BEGINNING OF YEAR	3,804,503	5,947,375
NET POSITION AT END OF YEAR	\$ 2,502,168	\$ 3,804,503

The accompanying notes are an integral part of the financial statements.

#### UTAH COUNTIES INDEMNITY POOL STATEMENTS OF CASH FLOWS Years ended December 31, 2014 and 2013

		2014	Name and Address of	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Contributions collected	\$	5,066,925	\$	5,570,936
Other fees collected		14,133		18,261
Reinsurance paid		(3,038,911)		(1,538,159)
Losses and loss expenses paid		(4,011,501)		(3,217,919)
Cash paid to employees		(572,645)		(629,924)
Other administrative expenses paid		(363,547)		(490,078)
CASH USED BY OPERATING ACTIVITIES		(2,905,546)		(286,883)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets		(2,574)		<del></del>
CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		(2,574)		*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments		(50,784)		(847,365)
Investment income		67,509		68,528
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES		16,725		(778,837)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,891,395)		(1,065,720)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		9,528,300		10,594,020
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$	6,636,905	\$	9,528,300
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH				
FLOWS FROM OPERATING ACTIVITIES				
Change in net position	\$	(1,302,335)	\$	(2,142,872)
Adjustments to reconcile change in net position to				
net cash flows used by operating activities				
Depreciation		13,477		15,464
Interest on investments		(67,578)		(76,266)
(Increase) decrease in equity in CRL		(479,332)		103,676
Unrealized loss on investments		69		7,738
Accounts receivable		3,606		(5,291)
Member receivable		(1,649,895)		-
Prepaid expenses		45,772		(165)
Reinsurance recoverable		373,248		(40,631)
Reserves for loss and loss adjustment expenses		(331,503)		1,354,654
Accounts payable		(4,887)		1,914
Accrued expenses		21,423		4,158
Contributions paid in advance		472,389		490,738
Total adjustments	***	(1,603,211)		1,855,989
NET CASH USED BY OPERATING ACTIVITIES	\$	(2,905,546)	\$	(286,883)

The accompanying notes are an integral part of the financial statements.

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

The Utah Counties Indemnity Pool (the Pool or UCIP) was incorporated in December 1991 as the Utah Association of Counties Insurance Mutual (the Mutual). In July 2003, the Mutual was renamed the Utah Counties Insurance Pool. In January 2012, the Pool was renamed the Utah Counties Indemnity Pool. The Pool is a non-profit Interlocal entity formed under Section 11-13-101 et. seq. *Utah Code Annotated, 1953* as amended, operated as a joint liability reserve fund under Section 63G-7-703 and 801 for counties who enter into the Interlocal Agreement that creates UCIP. The Pool is referred to as a "public agency insurance mutual" under the insurance statutes of the State of Utah, Section 31A-1-103(7). All of the Pool's business activities are conducted in the State of Utah.

#### Accounting Principles

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The Pool has adopted Governmental Accounting Standards Board (GASB) Statement No 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, GASB Statement No. 37, Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments: Omnibus, and GASB Statement No. 38, Certain Financial Statement Note Disclosures. The Pool has also adopted GASB Statement No. 40, Deposit and Investment Risk Disclosures and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. With the implementation of these statements, the Pool has prepared required supplementary information titled "Management's Discussion and Analysis" which precedes the basic financial statements, has prepared a balance sheet classified between current and noncurrent assets and liabilities, has categorized net position as net investment in capital assets and unrestricted, has prepared the statements of cash flows on the direct method, and provided additional schedules to better communicate the financial status of the governmental entity.

The accounting policies of the Pool conform to accounting principles generally accepted in the United States of America in all material respects. The following is a summary of the more significant policies.

#### Basis of Accounting

The Pool reports as a single enterprise fund and uses the accrual method of accounting and the economic resources measurement focus. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### Income Taxes

The Pool is exempt from the payment of income taxes under Section 115 of the Internal Revenue Code.

#### Compensated Absences

Accumulated unpaid vacation and sick pay amounts are accrued when benefits vest to employees and the unpaid liability is reflected as accrued expenses.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Pool considers all highly liquid debt instruments with maturities of three months or less when purchased to be cash equivalents. Therefore, the investments in the Utah Public Treasurers' Fund (PTIF) and cash on deposit are considered to be cash equivalents.

#### *Investments*

Investments are comprised of various U.S. Government securities, certificates of deposit and investments in County Reinsurance Limited (CRL).

Investments in U.S. Government securities as of December 31, 2014 consist of held-to-maturity securities. Held-to-maturity securities are reported at cost, adjusted for amortization of premiums and accretion of discounts that are recognized in interest income using the effective interest method over the period to maturity.

The investments in CRL are valued using the equity method of accounting. Under the equity method, the Pool recognizes its proportionate share of the net earnings or losses of CRL, which represents its share of the undistributed earnings or losses of CRL.

#### Land Held for Investment

The Pool purchased land in October of 2007 with the intent of building office space to house Pool employees and conduct Board meetings and training. In September 2008, the Board determined to hold the land as an investment for future sale.

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Contributions Paid in Advance

Contributions paid by members prior to January 1 of the next calendar year are considered to be deferred until January 1 and are reported as contributions paid in advance in the statement of net assets.

#### **Contributions**

Contributions are collected annually on January 1.

#### Capital Assets

Capital assets are defined by the Pool as assets with an initial individual cost of more than \$500. Capital assets are stated at cost less accumulated depreciation. Depreciation on furniture, equipment and electronic data processing equipment is provided over the estimated useful lives of the assets on the straight-line method. Useful lives vary from three to five years. Depreciation expense for the years ended December 31, 2014 and 2013 amounted to \$13,477 and \$15,464, respectively.

#### Net Asset Management

To assure that the Pool's assets are adequate without holding excessive net assets, the Pool manages net asset levels between 90% and 100% of annual revenue. Net assets should be controlled within a minimum of 50% and a maximum of 120% of annual revenue. The Pool utilizes a Rate Stabilization Fund and a Dividend Plan to manage net assets.

The Rate Stabilization Fund is utilized to designate surplus to fund unexpected increases in expenses, which necessitate increases in rates short term to allow rate increases to be made incrementally, or to negate temporary rate increases. The Rate Stabilization Fund is a Board-designated portion of unrestricted net assets and, as required by GASB, is reported as a designation only in the notes to the financial statements. The balance in the Rate Stabilization Fund at December 31, 2014 and 2013 were \$200,000 and \$200,000, respectively.

The Dividend Plan is utilized by the Board to return excess net assets to members.

The Net Asset Management Plan indicates net assets should not exceed 100% of contributions unless the Pool has specific needs for such surplus, which may include the following: expectation of new membership; development of a new line of coverage; development of new or expanded coverage; or development of new or expanded services.

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Reserves for Losses and Loss Adjustment Expenses

The reserves for losses and loss adjustment expenses include an amount actuarially determined from individual case estimates and loss reports and an amount based on past experience for losses incurred but not reported. The liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. Such liabilities are necessarily based on assumptions and estimates and while management believes that amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are reviewed quarterly and any adjustments are reflected in the period determined.

The Pool's actuary provides a range of estimates of the reserves for losses and loss adjustment expenses at three levels of confidence: low (50% confidence), expected (66% confidence) and high (80% confidence). Accounting standards require the Pool to book the "expected" level of reserves on its financial statements, and does not allow for the Board to designate or delineate any other amount in the range on the financial statements. In consideration of their duty to protect public funds and the inability of the Pool to assess members if reserves are not adequate, the Board prefers to reserve for claims with greater confidence than the 66% "expected" level. To accomplish this, while complying with audit standards, the Board has adopted, as part of their Net Asset Management Plan, a Claims Deterioration Fund, an amount voluntarily designated by the Board as Net Assets to be deducted from Total Net Assets (referred to as Unrestricted Net Position on the financial statements) when determining Net Assets available for payment of dividends to members. For 2014, the Board approved designating \$430,000 into the Claim Deterioration Fund to assure these additional funds are available if the "expected" claim reserves are ultimately found to be inadequate to pay all liabilities of the Pool. The Board believes managing Net Assets in this manner protects members from large rate increases in the event claims experience does deteriorate.

#### Subsequent Events

Management of the Pool has evaluated subsequent events through June 15, 2015, which is also the date the financial statements were available to be issued. No subsequent events were noted during this evaluation that require recognition or disclosure in these financial statements.

#### NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Listed below is a summary of the cash and investment portfolios as of December 31, 2014 and 2013. Investing is governed by the prudent man rule in accordance with statutes of the State of Utah. All investments of the Pool are considered to have been made in accordance with these governing statutes including the State Money Management Act.

### NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

#### Cash and Cash Equivalents

Cash and cash equivalents of the Pool are carried at cost. The carrying amount of the cash on deposit, net of outstanding checks, is \$248,109 and \$1,696,207 as of December 31, 2014 and 2013, respectively. The corresponding bank balance of the deposits was \$259,815 and \$1,729,532 as of December 31, 2014 and 2013, respectively.

All of the Pool's cash on deposit bank accounts are noninterest-bearing. All noninterest-bearing and other depositors' accounts will be aggregated and insured up to the standard maximum deposit insurance amount of \$250,000 for each deposit insurance ownership category.

The Public Treasurers' Investment Fund (PTIF) is a pooled investment fund enabling public agencies to benefit from the higher yields offered on large denomination securities. The PTIF is similar in nature to a money market fund but the PTIF is subject to oversight by the State Money Management Council and all investments in PTIF are considered to be in compliance with the State Money Management Act. The PTIF invests in corporate debt, U.S. Agency notes, certificates of deposit and commercial paper. The maximum final maturity of any security invested in by the PTIF is limited to five years.

The maximum weighted average life of the portfolio is limited to 90 days. There is no maturity date on an entity's investment in the PTIF. PTIF deposits are not insured or otherwise guaranteed by the State of Utah.

Zions Wealth Advisors, DBA Zions Capital Advisors, is an investment advisory firm certified by the State Money Management Council and all investments with Zions Wealth Advisors are in compliance with the State Money Management Act. The maximum final maturity of any security invested in by Zions Wealth Advisors is limited to three years. Zions Wealth Advisors investments are not insured or otherwise guaranteed.

#### Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Pool's bank balances exceeded FDIC coverage by \$9,815 and \$1,479,532 as of December 31, 2014 and 2013, respectively.

### NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

#### Custodial Credit Risk (continued)

As of December 31, 2014 and 2013, the Pool's cash and cash equivalents and investments included the following:

	2014	2013
Cash on deposit Public Treasurers' Investment Fund Zions Wealth Advisors	\$ 248,109 6,318,420 70,376	\$ 1,696,207 7,733,255 98,838
Total cash and cash equivalents	6,636,905	9,528,300
Investments - debt securities Equity investment in County Reinsurance Limited Land held for sale	2,003,901 1,687,283 526,778	1,953,117 1,207,951 526,778
Total investments	4,217,962	3,687,846
Total cash and cash equivalents and investments	\$ 10,854,867	\$ 13,216,146

#### **Investments**

The Pool records its investments in U.S. Government Securities at market value. The Pool records investments with County Reinsurance Limited (CRL) using the equity method of accounting. Investments in CRL are confirmed annually.

All other investments are through the Public Treasurers' Investment Fund (PTIF). The differences between book value and fair value as of December 31, 2014 and 2013 are as follows:

<u>2014</u>		Cost	U	Gross nrealized Gains	U	Gross nrealized Losses	F	air Value	S	Statement Value
Securities Equity Land	\$	2,003,970 1,207,951 526,778	\$	16,398 479,332	\$	(16,467)	\$	2,003,901 1,687,283 526,778	\$	2,003,901 1,687,283 526,778
Total investments		3,738,699	\$	495,730	\$	(16,467)	\$	4,217,962	\$	4,217,962
2012				Gross	**	Gross				
2013	in	Cost		realized Gains		nrealized Losses	F	air Value	S	Statement Value
Securities Equity Land	\$	Cost 1,960,855 1,311,627 526,778			\$			1,953,117 1,207,951 526,778	\$ \$	

#### NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Pool's policy for managing interest rate risk is to comply with the State Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. The Pool manages its exposure to declines in fair value by investing in the Public Treasurer's Investment Fund (PTIF) and other securities and by adhering to the Act. Following are the Pool's investments at December 31, 2014:

			Investment (in y	
Investment Type	rying Amount d Fair Value	t Less than 1		1-5
Debt securities:				
Corporate bonds	\$ 251,761	\$	101,376	\$ 150,385
Mortgage backed securities	1,752,140		<u> </u>	1,752,140
Total debt securities	2,003,901	\$	101,376	\$ 1,902,525
Other investments:				
CRL equity	1,687,283			
Land	526,778			
Total Other Investments	2,214,061			
Total investments	\$ 4,217,962			

#### Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Pool's policy for limiting the credit risk of investments is to comply with the State Money Management Act.

Investments are categorized into these three categories of credit risk:

- Category One Insured or registered, or securities held by the Pool or its agent in the Pool's name.
- Category Two Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Pool's name.
- Category Three Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, not in the Pool's name.

### NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

#### Credit Risk (continued)

As of December 31, 2014 and 2013, investments in debt securities in the amount of \$2,003,901 and \$1,953,117, respectively, are considered to be Category three securities. As of December 31, 2014 and 2013, Public Treasurers' Investment Fund (PTIF) investments, equity investments in County Reinsurance Limited (CRL) and land held for sale in the total amount of \$8,532,481 and \$9,467,984, respectively, are uncategorized investments.

#### NOTE 3 - INVESTMENT INCOME

Investment income is comprised of the following as of December 31, 2014 and 2013:

	2014			2013
Investment income:				
Bonds	\$	22,391	S	21,095
Equity		479,332		(103,676)
Cash		45,187	3	55,171
Total investment income	\$	546,910	\$	(27,410)
Cash received:				
Cash	\$	45,187	\$	55,171
Total cash received	***************************************	45,187		55,171
Noncash adjustments:				50 - 100 - <b>10</b> 0-1000 (100-1000)
Equity		479,332		(103,676)
Bonds		(69)		(7,738)
Change in accrued interest		22,936		35,693
Amortization	220000000000000000000000000000000000000	(476)		(6,860)
Total noncash adjustments		501,723		(82,581)
Total investment income	\$	546,910	_\$_	(27,410)

#### NOTE 4 - INTEREST RATES

The interest rates for assets held with the Utah Public Treasurers' Investment Fund (PTIF) were 0.5078 percent and 0.6813 percent as of December 31, 2014 and 2013, respectively.

#### NOTE 5 - CAPITAL ASSETS

The capital assets and related accumulated depreciation of the Pool are as follows:

<u>2014</u>		Seginning Balance	Increases		Decreases		Ending Balance	
Capital assets being depreciated: Office furniture and equipment	\$	167,190	\$	2,574	\$	-	\$	169,764
Total capital assets, being depreciated		167,190		2,574		-		169,764
Less accumulated depreciation for: Office furniture and equipment		(140,207)		(13,477)	1			(153,684)
Total accumulated depreciation		(140,207)		(13,477)		-		(153,684)
Total capital assets being depreciated, net	_	26,983		(10,903)		-	-	16,080
Total capital assets, net	_\$	26,983	\$	(10,903)	\$	-	\$	16,080
2013	Beginning Balance		Increases		Decreases		Ending Balance	
Capital assets: being depreciated Office furniture and equipment	\$	167,190	\$	· -	\$	_	\$	167,190
Total capital assets		167,190		-		_		167,190
Less accumulated depreciation for: Office furniture and equipment		(124,742)		(15,464)		_		(140,207)
Total accumulated depreciation		(124,742)		(15,464)		-		(140,207)
Total capital assets being depreciated, net		42,448		(15,464)				26,983
Total capital assets, net	\$	42,448	\$	(15,464)	\$		\$	26,983

#### NOTE 6 - REINSURANCE

Effective 2003, the Pool has purchased only specific excess coverage. The agreement provides for liability insurance in excess of a \$250,000 self-insured retention and property and crime insurance in excess of a \$250,000 self-insured retention.

Estimated claims loss liabilities of the Pool are stated net of estimated losses applicable to reinsurance coverage ceded to other insurance companies of \$1,737,281 and \$1,021,156 as of December 31, 2014 and 2013, respectively. However, the Pool is contingently liable for those amounts in the event such companies are unable to pay their portion of the claims.

#### Reinsurance Recoverables on Aggregate Losses

The Pool has reinsurance recoverables on aggregate policies (1992-2002) in the amount of \$0 and \$373,248 from its reinsurers for accrued losses as of December 31, 2014 and 2013, respectively.

#### NOTE 6 - REINSURANCE (CONTINUED)

#### Unsecured Reinsurance Recoverables

There are no letters of credit, trust agreements or funds withheld on reinsurance recoverables. The amounts of \$1,662,216 and \$907,021 as of December 31, 2014 and 2013, respectively, exceed three percent of the Pool's surplus and are considered unsecured recoverables on known claims.

#### Reinsurance Recoverable in Dispute

As of December 31, 2014, the Pool does not have any disputed balances or uncollectible funds.

#### NOTE 7 - RETIREMENT PLANS

#### Cost-Sharing Defined Benefits Pension Plan

**Plan Description.** The Pool contributes to the Local Governmental Public Employees' Noncontributory Retirement System (Noncontributory System), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (URS). The URS provide refunds, retirement benefits, annual cost of living adjustment, and death benefits to plan members and beneficiaries in accordance with Title 49 of Utah Code Annotated 1953 as amended.

The Noncontributory System is established and governed by Chapter 13, Title 49 of Utah Code Annotated 1953 as amended. Utah Code Ann. §49-11-202, as amended, provides for the administration of the URS and any System under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The URS issues a publicly available financial report that includes financial statements and required supplementary information for the Noncontributory System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 E. 200 S., Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy.** The Pool is required to contribute 18.47 percent of covered salary to the Noncontributory System for Tier 1 employees. The Pool is required to contribute 14.94 percent of covered salary to the Noncontributory System for Tier 2 employees. The contribution rates are determined by URS using actuarial analysis.

The contribution requirements of the Noncontributory System are authorized pursuant to Utah Code Ann. §49-13-301, as amended, and specified by the Utah State Retirement Board. The Pool's contribution to the Noncontributory System for the years ending December 31, 2014, 2013 and 2012 was \$66,494, \$68,276 and \$63,346, respectively. The contributions were equal to the required contributions for each year. The Pool has no further liability once contributions are made.

#### NOTE 7 - RETIREMENT PLANS (CONTINUED)

#### Defined Contribution 401(k) Plan

The Pool is required to contribute 1.78 percent of covered salary to the Noncontributory System Tier 2 Fund 401(k) plan (administered by the Utah State Retirement Systems). The total Tier 2 Fund retirement expense for the Pool for the years ending December 31, 2014, 2013 and 2012 was \$345, \$1,410 and \$0.

#### Employer Participating Retirement Plans

The Pool contributes an amount equal to the amount contributed by the employee into a 401(k) plan (administered by the Utah State Retirement Systems) and/or a 457 plan (administered by Nationwide Retirement Solutions), not to exceed five percent of the employee's eligible payroll. The total retirement expense for the Pool as of December 31, 2014, 2013 and 2012 was \$14,722, \$7,496 and \$11,549, respectively.

#### NOTE 8 - UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES

Reserves for incurred losses and loss adjustment expenses attributable to covered events of prior years has decreased by \$331,503 in 2014 and increased by \$1,354,654 in 2013 as a result of reestimation of unpaid losses and loss adjustment expenses. This change is the result of ongoing analysis of recent loss development trends. Original estimates change as additional information becomes known regarding individual claims.

The unpaid claims, losses and loss adjustment expenses of the Pool as of December 31, 2014 and 2013 are:

		2014	2013
Beginning balance	\$	9,103,341	\$ 7,748,687
Incurred loss:			8 <b>2 2</b> 555
Current year		3,666,324	3,151,548
Prior year	Between the same	(1,996,325)	(1,057,825)
Change in total incurred		1,669,999	2,093,723
Paid:			
Current year		1,344,098	586,016
Prior year		657,404	153,053
Total paid		2,001,502	739,069
Balance at December 31	\$	8,771,838	\$ 9,103,341

#### NOTE 9 - OPERATING LEASE COMMITMENT

On September 4, 2008, the Pool entered into a seven year commitment to lease office space. The lease commenced in February 2009 at which time the Pool occupied the premises. The Pool paid \$121,944 and \$127,956 in rent for the years ended December 31, 2014 and 2013, respectively.

Future minimum rental commitments for the building operating lease are as follows:

Total minimum lease payments	\$ 147,522
2016	21,614
2015	\$ 125,908

#### NOTE 10 - CONTINGENCIES

The Pool is subject to litigation from the settlement of claims contested in the normal course of business. The losses from the actual settlement of such unknown claims are taken into consideration in the computation of the estimated unpaid loss and loss adjustment expense liabilities.

REQUIRED SUPPLEMENTARY INFORMATION

#### UTAH COUNTIES INDEMNITY POOL

Contribution and Loss Development Information (Unaudited)

The following table compares the Pool's earned revenues, net of reinsurance and investment income, to related costs of losses and loss adjustment expenses, net of reinsurance, assumed by the Pool. The table is defined as follows: (1) shows each year's net earned contributions, other operating revenues and interest income, (2) shows each year's other operating expenses including overhead and loss adjustment expenses not allocable to specific claims, (3) shows incurred losses and allocated loss adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred, (4) shows the cumulative amounts paid as of the end of successive years for each accident year, (5) shows how each coverage year's inccurred losses increased or decreased as of the end of the successive years: this annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims, (6) compares the latest reestimated inccurred loss amounts to the amounts originally established. Pool information is only available in the format shown below for the years presented.

(in thousands)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
(1) Earned contributions, other operating revenues and investment revenues, net of reinsurance	5,073	9,542	12,433	16,116	6,952	4,662	5,064	5,141	3,538	3,717
(2) Unallocated expense	<del></del>		1-1	22	~	Ē		-	( <b>=</b> )	2.00
(3) Estimated incurred claims, both paid and accrued, end of accident year	2,526	2,408	2,585	3,180	3,059	3,714	3,080	3,837	3,907	3,666
(4) Paid (cumulative) as of:						2000 CONT. 25	- , - , - , -	2,027	3,507	3,000
End of accident year	1,383	1,059	1,332	1,302	1,126	584	995	347	586	1,344
One year later	2,361	2,289	2,296	2,076	1,246	932	1,542	1,538	1,377	
Two years later	2,832	2,672	3,103	1,640	1,781	1,601	1,719	2,310	1,577	_
Three years later Four years later	3,276	3,324	2,202	2,249	2,142	2,500	2,153	-,	똴	-
	3,427	2,392	2,273	2,666	2,465	2,958	-		-	-
Five years later Six years later	2,368	2,298	2,366	2,908	2,654	-	=	-	<u>-17</u>	-
Seven years later	2,526	2,396	2,478	3,045	:	( <del>)</del>	-	-	2	<del>-</del>
Eight years later	2,526 2,526	2,409	2,506	-	-	-	n.		-	-
Nine years later	2,526	2,407	-	5	-	-	-	-	15 2	
(5) Reestimated incurred losses and expenses:										
End of accident year	2,526	2,408	2,585	3,180	3,059	3,714	3,080	3,837	3,907	3,666
One year later	2,526	2,445	2,620	3,143	3,164	3,612	3,193	4,246	3,152	5,000
Two years later	2,526	2,497	2,544	3,142	2,789	3,113	3,472	3.619	-	-
Three years later	2,526	2,484	2,524	2,771	2,902	3,188	3,129	-	-	_
Four years later	2,737	2,696	2,751	2,704	2,748	2,876	-	5	-	
Five years later	2,756	2,553	2,978	2,631	2,887	*	( <del>=</del> )	¥	-	-
Six years later	2,792	2,181	3,216	2,772	(12)	-	-	-	-	(=)
Seven years later	2,878	1,983	2,810	100	-	₩	_	-		-
Eight years later Nine years later	2,875	2,345	2	-	(7.1)	1.7	-	-	-	-
Nine years later	2,824	(67.2)	-	-	-	-	-	7.	-	-
(6) Increase (decrease) in estimated incurred losses and expenses from end of accident										
year	298	(63)	225	(408)	(172)	(838)	49	(218)	(755)	-

SUPPLEMENTARY AUDITORS' REPORTS

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

www.WSRP.com

# INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees Utah Counties Indemnity Pool

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Utah Counties Indemnity Pool (the Pool or UCIP), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and have issued our report thereon dated June 15, 2015.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pool's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Pool's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Pool's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pool's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WSRP, LLC

Salt Lake City, Utah June 15, 2015



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

www.WSRP.com

# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE COMPLIANCE AUDIT GUIDE

To the Board of Trustees Utah Counties Indemnity Pool

#### Report on Compliance with General State Compliance Requirements

We have audited the Utah Counties Indemnity Pool's (the Pool or UCIP) compliance with the applicable general state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have direct and material effect on the Pool for the year ended December 31, 2014.

General state compliance requirements were tested for the year ended December 31, 2014 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems Compliance
- Interlocal Agreement Entities
- Government Records Access Management Act
- Nepotism

The Pool did not receive any major assistance programs from the State of Utah during the year ended December 31, 2014.

#### Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above.

#### Auditors' Responsibility

Our responsibility is to express an opinion on the Pool's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Pool occurred. An audit includes examining, on a test basis, evidence about the Pool's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements. However, our audit does not provide a legal determination of the Pool's compliance.

#### Opinion on General State Compliance Requirements

In our opinion, Utah Counties Indemnity Pool, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Pool for the year ended December 31, 2014.

#### Report on Internal Control over Compliance

Management of the Pool is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Pool's internal control over compliance with compliance requirements that could have direct and material effect on the Pool to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention to those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

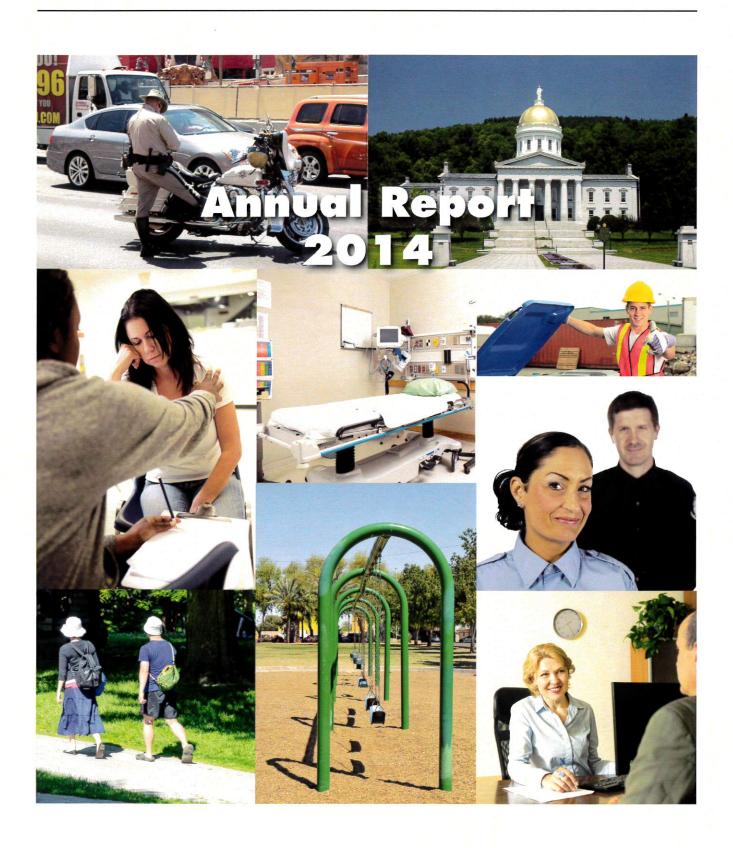
WSRP,LLC

Salt Lake City, Utah June 15, 2015





### County Reinsurance, Limited



### About County Reinsurance, Limited

County Reinsurance, Limited (CRL) is a member-owned reinsurance company. The company was formed in 1997 by county associations looking for a better way to provide reinsurance to their self-insured pools. The National Association of Counties (NACo) and state association executives played a critical role in the formation of the company.

CRL is organized as a captive insurance company in the state of Vermont. The company's legal structure as a mutual insurance company means that the members of the company own the company. In addition, CRL is organized as a non-profit company and is exempt from state and federal income taxes. All CRL members are also organized as non-profit companies.

CRL provides property, liability, and workers' compensation reinsurance to its members. As a reinsurance company, CRL does not provide direct coverage or state approved "admitted" policies. In several instances CRL enters into reinsurance agreements with a state-approved insurance company to meet state regulatory requirements for an "admitted" company. In those instances, CRL Members receive a policy from an insurance company admitted to do business in their particular state, and CRL reinsures that state-approved insurance company.

CRL maintains an administrative office in Clemmons, North Carolina. Questions about CRL may be directed to Philip E. Bell, Executive Director at (336) 354-4053.









Letter to Members

We are pleased to present County Reinsurance, Limited's (CRL's) Annual Report for 2014. Here are the major highlights of the year:

- The New Mexico County Insurance Authority Multi-line Pool joined the CRL Property Program on January 1, 2014.
- CRL's Cyber Liability Program continued to grow. CRL Members in Kansas, Ohio, Pennsylvania, Oklahoma, and North Carolina joined the program during 2014.
- Net Premiums Earned increased from \$24,937,000 to \$26,516,000, a 6.3% increase. Most of this increase can be attributed to the growth in the Property Program and Cyber Liability Program.
- The company had operating income of \$6,142,000 for the year. Investment income was \$6,534,000, resulting in Net Income of \$12,676,000. The operating income was primarily the result of positive workers' compensation and liability loss development in prior years. The investment income was primarily interest income and unrealized gains from declining interest rates..
- Members' Equity increased from \$32,018,000 to \$44,866,000, a 40.1% increase.

We discuss these results in more detail in the following pages.

CRL continues to operate according to its Strategic Plan. This Plan was bolstered in 2014 with the formation of a Strategic Planning Committee. Our current Plan includes five strategic goals and an annual work plan to achieve these goals. The five strategic goals are: Financial Security, Member Excellence, Underwriting Excellence, Claims Management Excellence, and Operational Excellence. We will discuss our efforts and results in the following pages.

- 2 -

Please let us know if you have any comments or questions.

R R

Ron Lethgo

Chairman of the Board

Philip E. Bell

**Executive Director** 



# Management's Discussion and Analysis

### **Underwriting Results**

County Reinsurance, Limited's (CRL's) Net Premiums Earned increased from \$24,937,000 to \$26,516,000, a 6.3% increase. Most of this increase can be attributed to the addition of the New Mexico County Insurance Authority Multi-line Pool to the property program, and growth in the cyber liability program.

Chart 1 illustrates changes in CRL's premiums and Members from 2005 to 2014.

The company had Operating Income of \$6,142,000 for the fiscal year ending December 31, 2014. Positive development for liability and workers' compensation business in prior years accounted for most of this income, and helped to offset losses in property business.

Two of CRL's Strategic Goals are Financial Security and Underwriting Excellence. Our

Underwriting procedures have been adjusted to achieve a longterm combined ratio of 95%. This adjustment will enhance CRL's financial security, while also addressing the inherent volatility in loss activity for a reinsurer. The combined ratio for 2014 was 76.9%.

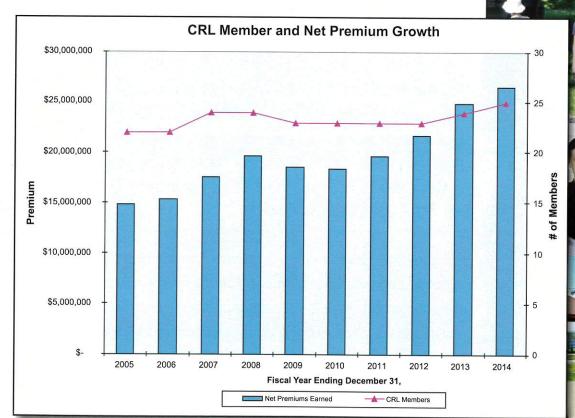




Chart 1



CRL started a Cyber Liability Program on July 1, 2013 and added four members the first year. In 2014 we added five additional members. In addition to providing a competitive risk transfer mechanism, we have also included comprehensive risk control and underwriting tools to assist our members with this emerging risk.

Chart 2 shows a summary of the results of the company from 2005 to 2014.

	Comparison of Results - 2005 to 2014													
Years Ending	December 31,	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014			
Net Premiums	Earned	\$14,812,328	\$15,325,265	\$17,543,593	\$19,654,835	\$18,557,515	\$18,418,749	\$19,684,158	\$21,707,097	\$24,936,553	\$26,515,685			
Operating Inco	ome	\$528,587	\$(687,267)	\$(3,632,387)	\$(3,487,613)	\$(1,101,496)	\$(1,842.451)	\$3,050,397	\$2,521,689	\$(1,742,149)	\$6,141,761			
Net Investment	Income	\$2,765,084	\$3,828,176	\$5,309,227	\$(6,446,767)	\$4,027,917	\$5,669,136	\$7,110,442	\$5,525,120	\$(1,232,059)	\$6,534,378			
Net Income		\$3,293,671	\$3,140,909	\$1,676,840	\$(9,934,380)	\$2,926,421	\$3,826,685	\$10,160,189	\$8,046,809	\$(2,974,207)	\$12,676,139			
At December	31,	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014			
Total Assets		\$70,943,760	\$84,760,980	\$107,064,249	\$109,345,608	\$121,330,105	\$137,891,637	\$155,589,163	\$166,187,749	\$169,554,275	\$190,408,116			
Total Liabilities		\$55,730,576	\$65,610,922	\$85,049,651	\$101,651,901	\$109,832,427	\$121,649,287	\$129,007,227	\$131,508,531	\$137,536,061	\$145,541,684			
Total Member	Equity	\$15,213,184	\$19,159,058	\$22,014,598	\$7,693,707	\$11,497,678	\$16,242,350	\$26,581,936	\$34, <mark>6</mark> 79,218	\$32,018,214	\$44,866,432			
CRL Members		22	22	24	24	23	23	23	23	24	25			



## **Investment Results**

CRL has a comprehensive Investment Policy designed to support its primary underwriting function. Most of CRL's assets are in investment grade fixed income products. CRL also invests in Risk Assets. At CRL, we define Risk Assets as anything outside of investment grade fixed income products, including domestic and international equity investments, high yield bonds, and international bonds. Our current investment policy allows investment in Risk Assets at no more than 25% of Surplus. At 12/31/14, CRL held approximately 18.7% of Surplus in Risk Assets.

CRL's portfolio benchmark is customized and market-weighted to better represent the strategic characteristics of the portfolio, which in turn supports CRL's liabilities. With the inclusion of Risk Assets, the custom portfolio benchmark now consists of a fixed income component representing the core investment grade fixed income portfolio and a Risk Asset component. For the year, CRL's investment portfolio produced a return of 4.08% compared to a benchmark return of 4.54%.

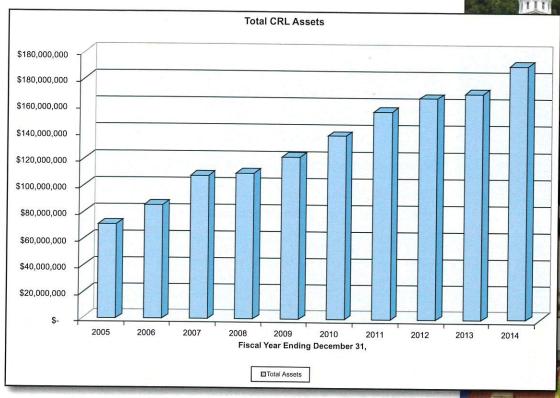




Chart 3 illustrates the growing assets of the company.

## **Net Income**

CRL's Net Income for the year ending 12/31/14 was \$12,676,000. This included Operating Income of \$6,142,000 and Investment Income of \$6,534,000.



# Contributed Capital

Chart 3

CRL receives contributed capital from two primary sources. First, the company requires a minimum ratio of capital to premium for each member. Current members may be required to contribute additional capital if a member's capital drops below minimum ratios. Second, new members are required to contribute this capital upon joining the company, as a condition of membership. This requirement helps maintain CRL's surplus at acceptable levels, but also gives an ownership incentive to the members of the company.







# **Members' Equity**

Members' Equity increased from \$32,018,000 to \$44,866,000 in 2014, a 40.1% increase. This change came from Member Contributions of \$172,000 and Net Income of \$12,676,000.

Chart 4 illustrates the changes in Members' Equity from 2005 to 2014.

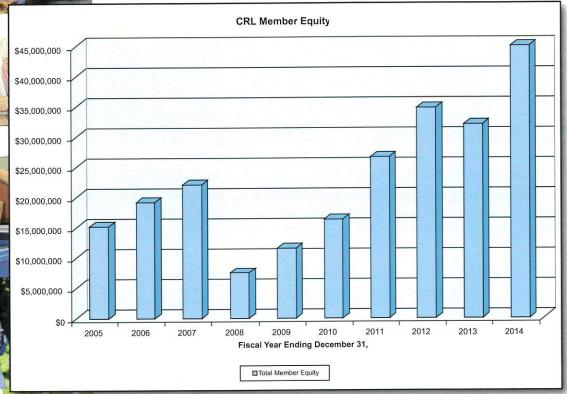
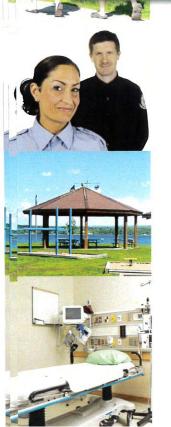


Chart 4





## Reinsurance

CRL offers property, liability, and workers' compensation reinsurance to its members. The company has partnerships with additional reinsurance companies to add stability and capacity to its overall program.

The company currently retains liability business between a member's self-insured retention and up to \$3,000,000. The company retrocedes premiums and claims for losses above this amount to Lexington Insurance Company. Lexington Insurance Company has an A.M. Best rating of A (Excellent).

The company currently retains workers' compensation business between the member's self-insured retention and up to \$3,000,000. The company also retains an aggregate amount of \$1,500,000 excess of \$3,000,000. Safety National Casualty Corporation (SNCC) provides the remaining statutory limits for the program. In those states that require an admitted company, SNCC issues a policy directly to the CRL Member, and CRL reinsures SNCC for its portion of the premium and losses. SNCC has an A.M. Best rating of A (Excellent).

CRL also provides property reinsurance to nine member pools. CRL currently retains property business between the member's self-insured retention and up to \$2,000,000. The member pools purchase additional reinsurance coverage and limits from additional companies.















# Members of County Reinsurance, Limited

Arizona Counties Insurance Pool, represented by Mr. William Hardy

Association County Commissioners of Georgia - Interlocal Risk Management Agency, represented by Mr. Ross King

Association County Commissioners of Georgia - Group Self-Insurance Workers' Compensation Fund, represented by Mr. Ross King

Association of Arkansas Counties Workers' Compensation Trust, represented by Mr. Chris Villines

Association of County Commissioners of Oklahoma Self Insured Group, represented by Mr. Dusty Birdsong

Association of County Commissions of Alabama Liability Self-Insurance Fund, represented by Mr. Sonny Brasfield

Association of County Commissions of Alabama Workers' Compensation Self-Insurers Fund, represented by Mr. Sonny Brasfield

County Risk Sharing Authority, represented by Mr. David Brooks

Kansas County Association Multiline Pool, represented by Mr. Tom Job

Kentucky Association of Counties Workers' Compensation Fund, represented by Mr. Mark Miller

Local Government Property and Casualty Fund, represented by Mr. Robert Wormsley

Local Government Workers' Compensation Fund, represented by Mr. Robert Wormsley

Missouri Association of Counties Self-Insured Workers' Compensation Fund, represented by Mrs. Carol Green

Nebraska Intergovernmental Risk Management Association, represented by Mr. Craig Nelson

Nebraska Intergovernmental Risk Management Association II, represented by Mr. Craig Nelson

New Mexico County Insurance Authority Multi-Line Pool, represented by Mr. Ron Lethgo

New Mexico County Insurance Authority Workers' Compensation Pool, represented by Mr. Ron Lethgo

Nevada Public Agency Compensation Trust, represented by Mr. Wayne Carlson

Nevada Public Agency Insurance Pool, represented by Mr. Wayne Carlson

North Carolina Association of County Commissioners Joint Risk Management Agency Workers' Compensation Fund, represented by Mr. Michael Kelly

North Carolina Association of Counties Liability and Property Insurance Pool Fund, represented by Mr. Michael Kelly

Pennsylvania Counties Risk Pool, represented by Mr. John Sallade

Pennsylvania Counties Workers' Compensation Trust, represented by Mr. John Sallade

Texas Association of Counties Risk Management Pool, represented by Mr. Gene Terry

Utah Counties Indemnity Pool, represented by Mr. Johnnie Miller

# Directors and Officers of County Reinsurance, Limited

MR. RON LETHGO, Chair New Mexico MR. TOM JOB
Kansas

MR. SONNY BRASFIELD, Vice Chair Alabama

MR. MICHAEL KELLY

North Carolina

MRS. CAROL GREEN, Secretary
Missouri

MR. ROSS KING Georgia

MR. CRAIG NELSON, Treasurer Nebraska MR. MARK MILLER
Kentucky

MR. ANDY SARGEANT, Assistant Treasurer
USA Risk Group of Vermont, Inc.,
(Resident Vermont Director)

MR. GENE TERRY
Texas

MR. DAVE BROOKS
Ohio

# Staff of County Reinsurance, Limited

MR. PHILIP E. BELL

Executive Director

MR. FRANK K. PETERSON
Regional Claims Manager

MS. BRENDA K. GIBSON

Marketing/Member Services

Manager

MR. BARRETT A. EVANS

Regional Claims Manager

MR. BRENT M. WELLS

Underwriting Manager

MS. MARY K. JOHNSON

Administrative Assistant







# Standing Committees of County Reinsurance, Limited

# **Audit Committee**

Chair: Mr. Ron Lethgo

Member: Mr. Sonny Brasfield

Member: Mrs. Carol Green

Member: Mr. Craig Nelson (Treasurer)

Member: Mr. John Sallade Member: Mr. Gene Terry

Member: Mr. Bob Wormsley

# **Bylaws Committee**

Chair: Mr. Wayne Carlson

Member: Mr. Sonny Brasfield

Mr. Craig Nelson

Member: Mr. Johnnie Miller

Member: Mr. Gene Terry

Member:

# **Claims Committee**

Chair: Mr. David Uhlman

Member: Mr. Dusty Birdsong

Member: Mr. Michael Kelly

Member: Mr. Craig Nelson

Member: Mr. John Sallade

# **Investment Committee**

Chair: Mr. Andy Sargeant

Member: Mr. Dave Brooks

Member: Mrs. Carol Green

Member: Mr. Tom Job

Member: Mr. Johnnie Miller

Member: Mr. David Seivers

Member: Mr. Doug Smith

## **Personnel Committee**

Chair: Mr. Craig Nelson

Member: Mrs. Carol Green

Member: Mr. Michael Kelly

Member: Mr. Ron Lethgo

Member: Mr. Mark Miller

Member: Mr. John Sallade

# Strategic Planning Committee

Chair: Mr. Ross King

Member: Mr. Wayne Carlson

Member: Mr. Ron Lethgo Member: Mr. Johnnie Miller

# Underwriting Committee

Chair: Mr. Wayne Carlson

Member: Ms. Ashley Abercrombie

Member: Mr. Sonny Brasfield

Member: Mr. Dave Brooks

Member: Mr. Ron Lethgo

Member: Mr. Johnnie Miller

Member: Mr. Mark Miller

Member: Ms. Tracy Seiler





# Service Providers of County Reinsurance, Limited

Brokerage and Risk Management Services

Marsh USA, Inc.

# **Captive Management and Accounting**

USA Risk Group of Vermont, Inc.

# Claims Management Services

Alternative Service Concepts, LLC

# **Consulting Actuary**

By the Numbers Actuarial Consulting, Inc.

# **Financial Auditor**

Johnson Lambert & Co., LLP

# **Legal Counsel**

Morris, Manning & Martin, LLP Primmer Piper Eggleston & Cramer, PC

## **Investment Advisor**

Strategic Asset Alliance, Inc.

# **Investment Manager**

Asset Allocation & Management, LLC

# **Cyber Liability Risk Control Services**

**NetDiligence** 







# Audited Financial Statements

Years ended December 31, 2014 and 2013

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Statements of Changes in Members' Contributions and Surplus	
Statements of Cash Flows	
Notes to the Financial Statements.	



### Report of Independent Auditors

Board of Directors County Reinsurance, Limited

We have audited the accompanying financial statements of County Reinsurance, Limited which comprise the balance sheets as of December 31, 2014 and 2013 and the related statements of operations, changes in members' contributions and surplus and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion** 

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Reinsurance, Limited as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Burlington, Vermont April 8, 2015

Firm Registration: 092-0000267

Johnson Jambert LLP

# Balance Sheets

		At Dece	mb	er 31,
		2014		2013
Assets				
Cash and cash equivalents	\$	5,271,634	\$	5,266,068
Auction rate securities		350,000		350,000
Fixed-maturity securities, at fair value		168,261,295		144,802,751
Exchange traded funds, at fair value		8,383,738		7,919,620
Accrued investment income		921,278		828,445
Premiums receivable		29,118		53,188
Reinsurance recoverable - unpaid losses		5,264,246		8,573,245
Deferred policy acquisition costs		22,019		17,489
Property, furniture and equipment, net of accumulated				
depreciation		490,195		505,784
Prepaid reinsurance premiums		947,661		804,420
Other assets		466,932		433,265
Total Assets	<u>\$</u>	190,408,116	\$	169,554,275
Liabilities and Members' Contributions and Surplus				
Liabilities				
Losses and loss adjustment expenses	\$	132,592,789	\$	126,231,301
Unearned premiums		12,249,173		10,124,106
Accounts payable and accrued expenses		101,593		955,183
Premium taxes payable		58,561		53,355
Deferred ceding commission income	1200	539,568	-	172,116
		145,541,684		137,536,061
Total Liabilities		145,541,064		137,330,001
Members' Contributions and Surplus				
Members' contributions		10,527,575		10,355,496
Retained earnings		34,338,857		21,662,718
Retained Carmings	-	.,,,-		
<b>Total Members' Contributions and Surplus</b>	_	44,866,432	_	32,018,214
	51	g g g , was not were	_	
Total Liabilities and Members' Contributions and Surplus	\$	190,408,116	\$	169,554,275

# Statements of Operations

	Years ended D		
Underwriting Revenue	2014	2013	
Premiums earned, net of reinsurance	\$ 26,515,685 \$	24,936,553	
Commission income	917,968	562,559	
Other income	105,650	302,339	
	105,050		
Total Underwriting Revenue	27,539,303	25,499,112	
Underwriting Expenses			
Losses and loss adjustment expenses	19,754,610	25,561,626	
Policy acquisition costs	204,031	320,225	
Professional and management fees	207,302	215,229	
General and administrative expenses	1,231,599	1,144,180	
Total Underwriting Expenses	21,397,542	27,241,260	
Operating Income (Loss)	6,141,761	(1,742,148)	
Investment Income (Loss)			
Net investment income (loss)	5,999,698	(1,269,317)	
Net realized gains on investments	534,680	37,258	
Total Investment Income (Loss)	6,534,378	(1,232,059)	
Net Income (Loss)	<u>\$ 12,676,139</u> <u>\$</u>	(2,974,207)	

# Statements of Changes in Members' Contributions and Surplus

For the years ended December 31, 2014 and 2013

	Members' Contributions	Retained Earnings	Total Members' Contributions and Surplus
Balance at January 1, 2013	\$ 10,042,293 \$	24,636,925	\$ 34,679,218
Proceeds from members' contributions	313,203		313,203
Net loss		(2,974,207)	(2,974,207)
Balance at December 31, 2013	10,355,496	21,662,718	32,018,214
Proceeds from members' contributions	172,079	-	172,079
Net income		12,676,139	12,676,139
Balance at December 31, 2014	\$ 10,527,575 \$	34,338,857	\$ 44,866,432

# Statements of Cash Flows

	 Years ended 2014	cember 31, 2013	
Cash Flows from Operating Activities			
Net income (loss)	\$ 12,676,139	\$	(2,974,207)
Add (deduct) items not affecting cash:			0000 NOV
Amortization of bond premium/discount	660,870		796,392
Net realized gains on investments	(534,680)		(37,258)
Depreciation	21,231		22,866
Change in unrealized (losses) gains on assets held			
at reporting date	(1,981,761)		4,951,841
Changes in assets and liabilities:			
Accrued investment income	(92,833)		34,846
Premiums receivable	24,070		(48,302)
Reinsurance recoverable - unpaid losses	3,308,999		354,704
Deferred policy acquisition costs	(4,530)		1,209
Prepaid reinsurance premiums	(143,241)		(93,960)
Other assets	(33,667)		(220,403)
Losses and loss adjustment expenses	6,361,488		5,806,697
Unearned premiums	2,125,067		464,445
Accounts payable and accrued expenses	(853,590)		268,453
Premium taxes payable	5,206		3,827
Deferred ceding commission income	 367,452		30,998
Net cash provided by operating activities	21,906,220		9,362,148

# Statements of Cash Flows - Continued

и	Years ended Dec	cember 31,
	2014	2013
Cash Flows from Investing Activities		
Cost of investments acquired	(59,408,890)	(40,770,741)
Proceeds from sales and maturities of investments	37,336,157	28,701,765
Net cash used in investing activities	(22,072,733)	(12,068,976)
Cash Flows from Financing Activities Proceeds from members' contributions Return of members' contributions	172,079	313,203 (546,890)
Net cash provided by (used in) financing activities	172,079	(233,687)
Net change in cash and cash equivalents	5,566	(2,940,515)
Cash and cash equivalents, beginning of year	5,266,068	8,206,583
Cash and cash equivalents, end of year	\$ 5,271,634	\$ 5,266,068

#### Notes to the Financial Statements

Years ended December 31, 2014 and 2013

### Note A - Organization and Significant Accounting Policies

#### Organization

County Reinsurance, Limited (CRL or the Company) was incorporated under the laws of the State of Vermont on June 20, 1997 and was issued a Certificate of Authority permitting it to transact the business of an industrial insured captive insurance company by the State of Vermont Department of Financial Regulation (the Department) on June 24, 1997. CRL commenced operations on July 1, 1997. CRL assumes various coverages from 24 and 23 public entity pools at December 31, 2014 and 2013, respectively. These public entity pools provide direct coverages to policyholders located in Alabama, Arkansas, Arizona, Georgia, Kansas, Kentucky, Missouri, Nebraska, Nevada, North Carolina, New Mexico, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas and Utah at December 31, 2014. As of December 31, 2014 and 2013, premiums from the three largest pools represent approximately 29% and 28% of gross written premiums, respectively.

#### Basis of Reporting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Financial Accounting Standards Board Accounting Standards Codification (ASC or the guidance).

#### Use of Estimates

Preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Subsequent Events

The Company has evaluated subsequent events for disclosure and recognition through April 8, 2015, the date which these financial statements were available to be issued, and all events identified have been reflected within these statements.

#### Fair Value Measurements

CRL's estimates of fair value for financial assets are based on the framework established in the fair value measurements and disclosures accounting guidance. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable.

#### Notes to the Financial Statements (Continued)

Years ended December 31, 2014 and 2013

#### **Note A - Organization and Significant Accounting Policies (Continued)**

In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The Company recognizes transfers between levels at the end of the reporting period. The three levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices for identical assets traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset and market corroborated inputs.

Level 3 – Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Company's own assumptions about the inputs that market participants would use.

#### Fair Value Option

Effective January 1, 2008, CRL elected to adopt fair value option accounting guidance for its investment portfolio. As a result CRL measures its investment portfolio at fair value, with changes in unrealized gains and losses recorded directly to the statement of operations as a component of net investment income.

#### Investments

Investments held by CRL at December 31, 2014 and 2013 consist of U.S. Treasury notes, obligations of U.S. government sponsored enterprises, corporate bonds, asset-backed securities, collateralized mortgage-backed securities, commercial mortgage-backed securities, municipal bonds and exchange traded funds. Included within corporate bonds are holdings which were issued under the Temporary Liquidity Guarantee Program. Through this program, the Federal Deposit Insurance Corporation (FDIC) guarantees the timely payment of principal and interest for investments meeting the programs criteria. Investments are reported at their estimated fair values with unrealized gains and losses reported as a component of investment income within the statement of operations. Realized gains and losses on sales of investments are determined using the specific identification method. As more fully described in Note B, CRL holds five trust accounts which provide collateral in the form of pledged securities in connection with various policies issued or assumed by the Company.

### Notes to the Financial Statements (Continued)

Years ended December 31, 2014 and 2013

#### **Note A - Organization and Significant Accounting Policies (Continued)**

#### Auction Rate Securities

Auction rate securities are carried at amortized cost, which approximates fair value. In evaluating the fair value of auction rate securities, CRL considers the financial strength and credit rating of each securities' issuer. The investment grade rating of each issuer supports its ability to repay based upon contractual terms. Given CRL's ability to hold the securities until maturity and the issuers' ability to repay, the Company believes amortized cost to be a reasonable estimate of fair value. However, given current market conditions, certain auction rate securities held by CRL "failed" at auction during 2014 and 2013 which decreases the liquidity of these securities. All auction rate securities continued to be current on all required interest payments during 2014 and 2013.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, CRL considers money market funds and all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are as follows at December 31:

	 2014	0-22	2013
People's United Bank - operating account	\$ 62,313	\$	304,249
U.S. Bank - cash & money market accounts	18,774		503,181
State Street - cash & money market accounts	 5,190,547		4,458,638
Total	\$ 5,271,634	\$	5,266,068

The FDIC insures amounts on deposit with each financial institution up to limits as prescribed by law. The Company holds funds with financial institutions in excess of the FDIC insured amount, however, the Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### Property, Furniture and Equipment

Depreciation and amortization on property, furniture and equipment is recognized over the estimated service lives of depreciable assets. The straight-line method of depreciation is followed for substantially all assets for financial reporting purposes.

#### Recognition of Premium Revenue

Premiums assumed are earned ratably over the terms of the policies to which they relate. Premiums assumed relating to the unexpired portion of policies in force at the balance sheet date are recorded as unearned premiums. Premiums ceded pursuant to reinsurance agreements are expensed over the terms of the underlying policies to which they relate and are netted against earned premiums. Ceded premiums relating to the unexpired portion of underlying policies are recorded as prepaid reinsurance premiums.

### Notes to the Financial Statements (Continued)

Years ended December 31, 2014 and 2013

### Note A - Organization and Significant Accounting Policies (Continued)

The company recognizes premium deficiencies when there is a probable loss on an insurance contract. Premium deficiencies are recognized if the sum of expected losses and loss adjustment expenses, expected dividends to policyholders, unamortized deferred acquisition costs, and maintenance costs exceed unearned premiums and anticipated investment income. No premium deficiency reserve has been recorded as of December 31, 2014 and 2013.

#### Losses and Loss Adjustment Expenses

The liability for unpaid losses and loss adjustment expenses reported in the financial statements includes case basis estimates of reported losses, plus supplemental amounts for projected incurred but not reported losses (IBNR) calculated based upon loss projections utilizing actuarial studies of the members' own historical loss data for periods prior to and subsequent to the creation of CRL and industry data. In establishing its liability for losses and loss adjustment expenses, CRL utilizes the findings of an independent consulting actuary. Management has recorded its reserves based on the actuary's best estimate and believes that its aggregate liability for unpaid losses and loss adjustment expenses at year end represents its best estimate, based upon the available data, of the amount necessary to cover the ultimate cost of losses; however, because of uncertainty associated with the limited population of insured risks, economic conditions, judicial decisions, legislation and others reasons, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability at the balance sheet date. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

### Reinsurance Recoverable - Unpaid Losses

Reinsurance recoverable is comprised of estimated amounts of losses and loss adjustment expenses unpaid which are expected to be recoverable from reinsurers pursuant to reinsurance agreements. Such amounts have been estimated using actuarial assumptions consistent with those used to estimate the related liability for unpaid losses and loss adjustment expenses. Management believes that the reinsurance recoverable as recorded represents its best estimate of such amounts; however, as changes in the estimated ultimate liability for losses and loss adjustment expenses are determined, the estimated ultimate amount receivable from reinsurers will also change.

### Notes to the Financial Statements (Continued)

Years ended December 31, 2014 and 2013

### Note A - Organization and Significant Accounting Policies (Continued)

CRL relies on facultative reinsurance agreements to limit its insurance risk as described further in Note B. In the event that any or all of the reinsuring companies are unable to meet their obligations under existing reinsurance agreements, CRL would be contingently liable for such amounts. In preparing financial statements, management makes estimates of the amounts recoverable from reinsurers, which includes consideration of amounts, if any, estimated to be uncollectible based on assessment of factors including management's assessment of the creditworthiness of the reinsurers. Management evaluated the creditworthiness of its reinsurers and determined that no specific valuation allowance was required at December 31, 2014 and 2013.

#### Reinsurance Recoverable - Paid Losses

Reinsurance recoverable on paid losses includes amounts of losses and loss adjustment expenses paid by CRL, which are expected to be recoverable from the reinsurers pursuant to reinsurance agreements. Management has determined that no provision for uncollectible reinsurance recoveries is necessary as of December 31, 2014 and 2013.

#### Commission Income

Commission income on business ceded to reinsurers and on excess liability and workers' compensation business placed directly by the policyholders through reinsurers are deferred and earned over the terms of the underlying policies to which they relate. Commissions relating to the unexpired portion of the underlying policies in force at the balance sheet date are recorded as deferred ceding commission income.

#### Deferred Policy Acquisition Costs

Premium taxes and other costs of acquiring business are deferred and amortized over the terms of the underlying policies to which they relate.

#### Note B - Insurance Activity

CRL assumes various liability coverages from member pools, on an occurrence and a claims-made basis, up to \$11 million inclusive of the individual pool retentions, which range from \$250,000 to \$1,000,000 and the insured corridor layer where applicable. CRL limits its risks to the first \$3 million per occurrence or claim (inclusive of the member retentions) through facultative reinsurance agreements with Lexington Insurance Company (Lexington).

#### Notes to the Financial Statements (Continued)

Years ended December 31, 2014 and 2013

#### **Note B - Insurance Activity (Continued)**

CRL assumes workers' compensation coverage from various public entity pools with limits up to \$3 million per occurrence inclusive of individual pool retentions which range from \$500,000 to \$1,500,000 and the insured corridor layer where applicable. CRL also assumes workers' compensation coverage for several other pools from Safety National Casualty Corporation (SNCC) on an occurrence basis with a limit of up to \$3 million inclusive of the individual pool retentions, which range from \$500,000 to \$850,000 and the insured corridor layer where applicable. In addition, CRL assumes from SNCC a \$1.5 million aggregate corridor in excess of \$3 million for all policies issued to CRL member pools.

Effective July 1, 2012, CRL assumes property coverage from various public entity pools with limits up to \$2 million per occurrence (inclusive of member retentions).

CRL holds a trust account with investments totaling \$12,465,721 and \$11,800,420 as of December 31, 2014 and 2013, respectively, for the benefit of United States Fidelity and Guaranty Company. This trust account is for fronted policies offered from 1997 to 2003.

CRL holds a trust account with investments totaling \$23,069,711 and \$19,341,100 as of December 31, 2014 and 2013, respectively, for the benefit of SNCC. This trust account is for fronted policies offered from 2004 to 2013.

CRL holds a trust account with investments totaling \$6,979,776 and \$5,514,672 as of December 31, 2014 and 2013, respectively, for the benefit of the Association of County Commissioners of Georgia Interlocal Risk Management Agency.

CRL holds a trust account with investments totaling \$9,104,523 and \$7,204,119 as of December 31, 2014 and 2013, respectively, for the benefit of the Association of County Commissioners of Georgia Group Self-Insurance Workers' Compensation Fund.

CRL holds a trust account with investments totaling \$639,070 and \$571,623 as of December 31, 2014 and 2013, respectively, for the benefit of the Kansas County Association Multiline Pool.

A reconciliation of assumed to net premiums, on both a written and an earned basis is as follows:

	20	014		2013					
	 Written	Earned			Written		Earned		
Assumed Ceded	\$ 30,915,847 (2,418,336)	\$	28,790,780 (2,275,095)	\$	27,381,968 (2,074,930)	\$	26,917,523 (1,980,970)		
Net Premiums	\$ 28,497,511	\$	26,515,685	\$	25,307,038	\$	24,936,553		

### Notes to the Financial Statements (Continued)

Years ended December 31, 2014 and 2013

#### **Note B - Insurance Activity (Continued)**

The components of the liability for losses and loss adjustment expenses and related reinsurance recoverable are as follows:

Case-basis reserves IBNR reserves	\$	2014 64,726,116 67,866,673	2013 \$ 63,866,906 62,364,395
Gross reserves Reinsurance recoverable	_	132,592,789 (5,264,246)	126,231,301 (8,573,245)
Net reserves	\$	127,328,543	\$ 117,658,056
Losses and loss adjustment expense activity is as follows:  Liability as of January 1, net of reinsurance recoverable of \$8,573,245 and \$8,927,949	\$	2014 117,658,056	2013 \$ 111,496,655
Incurred related to: Current year Development of prior years Total incurred during the year		23,076,208 (3,321,598) 19,754,610	20,128,689 5,432,937 25,561,626
Paid related to: Current year Prior years Total paid during the year		(4,213,650) (5,870,473) (10,084,123)	(532,790) (18,867,435) (19,400,225)
Liability as of December 31, net of reinsurance recoverable of \$5,264,246 and \$8,573,245	<u>\$</u>	127,328,543	\$ 117,658,056

The 2014 favorable development of prior years is related to the liability and workers' compensation coverages. Total favorable development on liability coverage amounted to \$4,116,169 and total favorable development on workers' compensation coverage amounted to \$524,300. These amounts were partially offset by total unfavorable development on property coverage of \$1,318,871.

The 2013 unfavorable development of prior years is related to the liability and property coverages. Total unfavorable development on liability coverage amounted to \$6,336,242 and total unfavorable development on property coverage amounted to \$556,495. These amounts were partially offset by total favorable development on workers' compensation coverage of \$1,459,800.

# Notes to the Financial Statements (Continued)

Years ended December 31, 2014 and 2013

#### **Note C - Investments**

The cost or amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values for investments in fixed-maturity securities by major security type and exchange traded funds by sector at December 31, 2014 are as follows:

* · · · · · · · · · · · · · · · · · · ·				Gross		Gross		Estimated
		Cost or		Unrealized	Ţ	Jnrealized		Fair
Fixed-maturity securities:	A	mortized Cost		Gains	1	Losses	_	Value
U.S. Treasury notes	\$	17,894,848	\$	333,088	\$	(10,951)	\$	18,216,985
Obligations of U.S. Government								
sponsored enterprises		53,049,336		1,033,696		(511,900)		53,571,132
Corporate bonds		58,288,827		1,426,377		(211,869)		59,503,335
Asset-backed securities		17,273,232		32,869		(20,191)		17,285,910
Collateralized mortgage obligations		327,210		81,646		-		408,856
Commercial mortgage-backed								
securities		11,265,217		248,658		(14,978)		11,498,897
Municipal bonds		7,460,650	_	318,222		(2,692)	_	7,776,180
Total fixed-maturity securities	<u>\$</u>	165,559,320	<u>\$</u>	3,474,556	\$	(772,581)	\$	168,261,295
Exchange traded funds:								
S&P index funds	\$	3,556,373	\$	1,323,392	\$	æ	\$	4,879,765
Capital high yield bond funds		1,708,148		-		(41,625)		1,666,523
International stock funds		1,094,721		143,349		-		1,238,070
Emerging market funds		622,332		-		(22,952)	2500	599,380
	-	·						
Total exchange traded funds	\$	6,981,574	\$	1,466,741	\$	(64,577)	\$	8,383,738

### Notes to the Financial Statements (Continued)

Years ended December 31, 2014 and 2013

#### **Note C - Investments (Continued)**

The cost or amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values for investments in fixed-maturity securities by major security type and exchange traded funds by sector at December 31, 2013 are as follows:

Fixed-maturity securities:	<u>A</u>	Cost or mortized Cost	 Gross Unrealized Gains	_	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury notes	\$	16,051,823	\$ 406,306	\$	(80,794)	\$ 16,377,335
Obligations of U.S. Government					30000	
sponsored enterprises		48,908,655	684,650		(1,563,894)	48,029,411
Corporate bonds		43,972,617	1,387,396		(378,975)	44,981,038
Asset-backed securities		11,875,855	14,114		(31,422)	11,858,547
Collateralized mortgage obligations		340,589	91,199		-	431,788
Commercial mortgage-backed						
securities		11,255,660	90,090		(69,940)	11,275,810
Municipal bonds		11,619,308	302,677		(73,163)	11,848,822
Total fixed-maturity securities	\$	144,024,507	\$ 2,976,432	\$	(2,198,188)	\$ 144,802,751
Exchange traded funds:						
S&P index funds	\$	3,293,200	\$ 1,094,333	\$	-	\$ 4,387,533
Capital high yield bond funds		1,307,529	49,854		~	1,357,383
International stock funds		983,450	250,973		-	1,234,423
Emerging market funds		991,307	 	·	(51,026)	940,281
Total exchange traded funds	\$	6,575,486	\$ 1,395,160	\$	(51,026)	\$ 7,919,620

Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations without penalty. The scheduled maturities of bond investments at December 31, 2014 are as follows:

	Amortized		Estimated Fair			
	Cost			Value		
Maturity:			10			
In 2015	\$	6,831,610	\$	6,862,021		
In 2016-2019		50,286,572		51,421,590		
In 2020-2024		28,025,509		28,557,405		
Due after 2024		51,549,970		52,226,616		
Mortgage and asset-backed securities	_	28,865,659		29,193,663		
Total	\$	165,559,320	\$	168,261,295		

### Notes to the Financial Statements (Continued)

Years ended December 31, 2014 and 2013

#### **Note C - Investments (Continued)**

During 2014 and 2013 CRL recognized gross realized gains on sales of investments of \$611,921 and \$114,424, respectively. During 2014 and 2013, CRL recognized gross realized losses on sales of investments of \$77,241 and \$77,166, respectively.

The Company has adopted the fair value guidance for financial instruments. Accordingly, market value adjustments related to the change in unrealized gains or losses on fixed maturity and equity securities held as of the reporting date are included as a component of net investment income on the statements of operations. Investment income for the years ending December 31, 2014 and 2013 is summarized as follows:

		2014		2013
Investment Income: Fixed-maturities Equity securities Auction rate securities Cash and short-term investments	\$	4,047,332 330,884 9,306 1,941	\$	3,737,513 287,003 9,404 3,960
Change in unrealized gains (losses) on assets held at reporting date	·	1,981,761	0	(4,951,841)
Gross investment income (loss)		6,371,224		(913,961)
Investment expenses	-	(371,526)		(355,356)
Net investment income (loss)	\$	5,999,698	\$	(1,269,317)

### Notes to the Financial Statements (Continued)

Years ended December 31, 2014 and 2013

#### Note C - Investments (Continued)

The following tables present the level within the fair value hierarchy at which CRL's fixed-maturity investments are measured on a recurring basis as of December 31, 2014 and 2013:

December 31, 2014		Level 1	_	Level 2		Level 3		Total
Fixed-maturity securities: U.S. Treasury notes Obligations of U.S. Government sponsored	\$	18,216,985	\$		\$	-	\$	18,216,985
enterprises		-		53,571,132		-		53,571,132
Corporate bonds		? <b>_</b>		59,503,335		=		59,503,335
Asset-backed securities		-		17,285,910		_		17,285,910
Collateralized mortgage obligations Commercial mortgage-		-		408,856		-		408,856
backed securities				11,498,897				11,498,897
Municipal bonds		-		7,776,180				
Wumerpar bonds				7,770,180	-			7,776,180
Total fixed-maturity securities	<u>\$</u>	18,216,985	<u>\$</u>	150,044,310	<u>\$</u>	<u>-</u>	<u>\$</u>	168,261,295
<u>December 31, 2013</u>		Level 1		Level 2		Level 3		Total
Fixed-maturity securities: U.S. Treasury notes Obligations of U.S. Government sponsored	\$	16,377,335	\$	-	\$	-	\$	16,377,335
enterprises		:_		48,029,411				48,029,411
Corporate bonds		_		44,981,038				44,981,038
Asset-backed securities		-		11,858,547				11,858,547
Collateralized mortgage				11,000,01				11,020,217
obligations		_		431,788		_		431,788
Commercial mortgage-				,,,,,,,,				151,700
backed securities		( <b>-</b>		11,275,810				11,275,810
Municipal bonds		_		11,848,822		-		11,848,822
Total fixed-maturity securities	\$	16,377,335	\$	128,425,416	•		\$	144,802,751

#### Notes to the Financial Statements (Continued)

Years ended December 31, 2014 and 2013

#### **Note C - Investments (Continued)**

As of December 31, 2014 and 2013, all exchange traded funds are classified as level 1 within the fair value hierarchy.

#### Note D - Federal Income Taxes

CRL is a corporation formed to provide various types of insurance and reinsurance coverages solely to its members who are non-profit, risk-sharing pools of political subdivisions of states. CRL received approval to be tax exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Service Code. Accordingly, no provision for federal income taxes is included in the accompanying financial statements. CRL does not believe it has taken any uncertain tax positions that would jeopardize its federal income tax exemption status.

#### Note E - Service Agreements and Related Party Transactions

Accounting and reporting services, records retention and other management services are provided by USA Risk Group of Vermont, Inc. (USA Risk). An employee of USA Risk is a director and officer of the Company. The National Association of Counties - Financial Services Center provides advertising and marketing services. Marsh Inc. provides brokerage and risk management services. Alternative Services Concepts, LLC provides claims auditing and management services.

CRL employs an Executive Director whose responsibilities include supervising all contractors, vendors, and service providers engaged by CRL. The Executive Director also supervises all CRL employees who assist with underwriting, claims management and other administrative functions.

The Company sponsors a simplified employee pension individual retirement arrangement (SEP-IRA) for its employees. The Company does not offer any post employment benefits.

#### Note F - Property, Furniture and Equipment

CRL owns condominium office space in Clemmons, North Carolina. Property, furniture and equipment consisted of the following at December 31:

	y	2014	2013
Real estate	\$	567,544	\$ 567,544
Furniture and equipment		65,378	59,737
Less: accumulated depreciation	8 <del></del>	(142,727)	 (121,497)
Property, furniture and equipment, net	\$	490,195	\$ 505,784

### Notes to the Financial Statements (Continued)

Years ended December 31, 2014 and 2013

### Note F - Property, Furniture and Equipment (Continued)

Depreciation expense of \$21,231 and \$22,866 for the years ended December 31, 2014 and 2013, respectively, is included in general and administrative expenses.

#### **Note G - Loss Contingency**

CRL is subject to various legal proceedings, claims, and liabilities which arise in the ordinary course of operations. In the opinion of CRL's management, the ultimate resolution of these matters will not have a material adverse impact on the Company's financial position or results of operations.

#### Note H - Members' Contributions and Surplus

In accordance with laws of the State of Vermont, for the purpose of submitting its financial statements to the State for regulatory purposes, CRL is required to use GAAP with the exception of variances prescribed by Vermont laws and regulations or permitted by the Department. Pursuant to laws of the State of Vermont, CRL is required to maintain members' contributions and surplus of \$500,000. Members' contributions and surplus was \$44,866,432 and \$32,018,214 at December 31, 2014 and 2013, respectively.

CRL is owned by 24 and 23 members at December 31, 2014 and 2013, respectively. Each member pool made an initial contribution based on a percentage of its net reinsurance premium. Additional contributions may be required from member pools as determined by the Company. Additional contributions totaled \$172,079 and \$313,203 in 2014 and 2013, respectively.

Upon a withdrawal or termination of a member, the member may request repayment of the original contribution plus a portion of CRL's earnings accumulated during its membership. The repayment may be granted at the discretion of the Board of Directors with prior approval from the Department. Repayment, subject to approval, can be paid in either a lump sum or in installments up to a maximum period of five years.

Vermont law provides that no dividends may be paid to shareholders without prior approval of the Insurance Commissioner of the Department. There have been no dividends declared or paid in 2014 and 2013.

There are no differences, other than rounding, between members' contributions and surplus and net income as reported in the 2014 and 2013 Vermont Captive Insurance Company Annual Reports and the corresponding amounts reported in these financial statements.

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